International Labour Conference
89th Session 2001

Report II

Draft programme and budget 2002-03 and other financial questions

International Labour Office Geneva

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89th Session 2001

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and other financial questions

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Preface

1. This report deals with the draft Programme and Budget for 2002-03 as examined by the Governing Body at its 280th Session (March 2001).

2. The full material relating to the draft 2002-03 programme and budget appears on pages 1 to 4. This material should be read in conjunction with the Director-General's Programme and Budget proposals for 2002-03 as indicated in paragraph 2 on page 1.

3. The Governing Body's recommendations concerning the scales of assessment of contributions to the budget for the 2002-03 financial period, the assessment of contributions of new member States, the review of the Financial Regulations governing cash surpluses and deficits, the composition of the Administrative Tribunal of the ILO and appointments to the ILO Staff Pension Committee, together with the related draft Conference resolutions, are set out on pages 5, 6, 7, 9 and 10 respectively.

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Programme and Budget for 2002-03

Consideration of the Director-General's Programme and Budget proposals for 2002-03 by the Programme, Financial and Administrative Committee and the Governing Body

1. The Director-General's Programme and Budget proposals for 2002-03 were submitted to the Governing Body at its 280th Session (March 2001) in document GB.280/PFA/7. That document is being reissued as a supplement to the present report and circulated to those recipients of the report to whom the proposals in question have not already been sent.

2. The Director-General's proposals were considered in the first instance by the Programme, Financial and Administrative Committee of the Governing Body. The Committee's discussion of the proposals was recorded in its third report to the Governing Body, which is reproduced in Annex 1 to the present report.[1] The Governing Body accepted the recommendations of the Committee and decided to propose to the International Labour Conference a resolution related to the adoption of the programme and budget for the 68th financial period, ending 31 December 2003, and for the allocation of expenses among Members in that period. The text of the proposed resolution is given below in paragraph 7.

3. It will be observed that the proposed resolution is incomplete as regards the final budget level. The Governing Body endorsed a provisional programme level of US$472,488,505 estimated at the 2000-01 budget exchange rate of 1.53 Swiss francs to the US dollar. The final exchange rate and the corresponding US dollar level of the budget and Swiss franc assessments will be determined by the Conference, on the recommendation of the Finance Committee of Government Representatives, at its forthcoming session.

4. The Director-General's proposed expenditure budget for 2002-03 (Parts I to III), which was endorsed by the Governing Body, is set out in table A on page 3 below.

5. Table B, which is set out on page 4 below, and is entitled "Proposed operational budget – Analysis of increases and decreases", permits the identification of changes in programme level – as distinct from changes due to cost increases and currency fluctuations. The second column shows the Director-General's proposals for 2002-03 costed in terms of constant 2000-01 US dollars, i.e. on the basis of cost levels and exchange rates used in preparing the 2000-01 programme and budget. These figures can thus be compared directly with those in the first column, which is headed "2000-01", so that programme increases and decreases in real terms can be readily identified. The figures in the penultimate column represent the 2002-03 budget proposals costed on the basis of estimated 2002-03 cost levels and the 2000-01 budget rate of exchange of 1.53 Swiss francs to the US dollar.

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[1] See blue title page. This report for the Conference was prepared immediately after the 280th Session (March 2001) of the Governing Body so as to reach member States as early as possible in accordance with article 6 of the Financial Regulations. The discussion of the Programme, Financial and Administrative Committee's third report in the Governing Body will be reflected in the minutes of the 280th Session of the Governing Body, which were not available at the time of going to press.

Recommendations of the Governing Body to the Conference at its 89th Session (June 2001)

6. The Governing Body recommends to the Conference at its 89th Session (June 2001) that the final amount of the 2002-03 budget be based on the endorsed proposed expenditure budget of US$472,488,505 estimated at the 2000-01 budget exchange rate of 1.53 Swiss francs to the US dollar, to be revalued at the rate of exchange set by the Conference.

7. The Governing Body also recommends that the text of the related resolution to be adopted by the Conference should be as follows:

The General Conference of the International Labour Organization,

In virtue of the Financial Regulations, adopts for the 68th financial period, ending 31 December 2003, the budget of expenditure of the International Labour Organization amounting to US$ .... and the budget of income amounting to US$ ...., which, at the budget rate of exchange of .... Swiss francs to the US dollar, amounts to .... Swiss francs, and resolves that the budget income, denominated in Swiss francs, shall be allocated among member States in accordance with the scale of contributions recommended by the Finance Committee of Government Representatives.

Table A. Strategic budget: Proposed expenditure budget by appropriation line

Item	Revised strategic budget 2000-01	Adjusted strategic budget 2002-03	Adjusted strategic budget 2002-03
	(in constant 2000-01 US$)		(recosted)
Part I. Ordinary budget			
A. Policy-making organs	60,896,671	59,220,340	59,902,366
B. Strategic objectives	351,728,503	350,759,606	356,426,551
Standards and fundamental principles and rights at work	69,711,745	77,055,365	78,300,287
Employment	130,005,263	121,614,800	123,579,635
Social protection	58,128,262	57,008,931	57,929,979
Social dialogue	93,883,233	95,080,510	96,616,650
C. Management services	37,694,107	38,029,597	38,301,942
D. Other budgetary provisions	20,243,879	20,549,417	20,997,464
Adjustment for staff turnover	-3,968,160	-3,968,160	-4,014,818
Total Part I	**466,595,000**	**464,590,800**	**471,613,505**
Part II. Unforeseen expenditure			
Unforeseen expenditure	875,000	875,000	875,000
Part III. Working Capital Fund			
Working Capital Fund	–	–	–
Total (Parts I-III)	**467,470,000**	**465,465,800**	**472,488,505**

Table B. Proposed operational budget – Analysis of increases and decreases

	2000-01	2002-03 estimates in constant 2000-01 dollars	Programme increases (decreases)		Cost increases (decreases)		2002-03	% of total budget
	US$	US$	US$	%	US$	%	US$	%
PART I. ORDINARY BUDGET								
Policy-making organs	**60,896,671**	**59,220,340**	**-1,676,331**	**-2.75**	**682,026**	**1.15**	**59,902,366**	**12.68**
International Labour Conference	9,602,562	9,523,886	-78,676	-0.82	238,098	2.50	9,761,984	
Governing Body	3,729,458	3,704,891	-24,567	-0.66	49,307	1.33	3,754,198	
Major Regional Meetings	558,700	832,259	273,559	48.96	19,976	2.40	852,235	
Legal services	2,522,832	2,519,193	-3,639	-0.14	23,876	0.95	2,543,069	
Relations, meetings and document services	44,483,119	42,640,111	-1,843,008	-4.14	350,769	0.82	42,990,880	
Strategic objectives	**351,728,503**	**350,759,606**	**-968,897**	**-0.28**	**5,666,945**	**1.62**	**356,426,551**	**75.44**
Technical programmes	*157,881,091*	*159,981,385*	*2,100,294*	*1.33*	*1,971,946*	*1.23*	*161,953,331*	*34.28*
Standards and fundamental principles and rights at work	25,406,270	26,245,416	839,146	3.30	323,157	1.23	26,568,573	
Employment	36,200,027	35,047,048	-1,152,979	-3.19	423,689	1.21	35,470,737	
Social protection	25,281,168	24,576,616	-704,552	-2.79	324,625	1.32	24,901,241	
Social dialogue	39,200,687	38,583,544	-617,143	-1.57	446,067	1.16	39,029,611	
Decent work: Inter-sectoral operational support	-	2,925,374	2,925,374	n/a	27,905	0.95	2,953,279	
Gender equality	2,026,622	2,011,540	-15,082	-0.74	17,513	0.87	2,029,053	
Statistics	6,579,622	6,282,754	-296,868	-4.51	63,882	1.02	6,346,636	
International Institute for Labour Studies	4,931,020	4,849,222	-81,798	-1.66	77,587	1.60	4,926,809	
International Training Centre of the ILO, Turin	5,340,000	5,436,838	96,838	1.81	97,863	1.80	5,534,701	
External relations and partnerships	4,515,784	4,502,050	-13,734	-0.30	75,142	1.67	4,577,192	
International policy group	1,246,414	1,523,817	277,403	22.26	11,706	0.77	1,535,523	
Communications	5,599,375	5,658,538	59,163	1.06	58,031	1.03	5,716,569	
ILO Web development	-	790,281	790,281	n/a	10,699	1.35	800,980	
Technical meetings reserve	1,554,102	1,548,347	-5,755	-0.37	14,080	0.91	1,562,427	
Regions and technical cooperation	*138,281,517*	*137,452,946*	*-828,571*	*-0.60*	*3,020,526*	*2.20*	*140,473,472*	*29.73*
Development cooperation	3,057,272	2,991,190	-66,082	-2.16	29,897	1.00	3,021,087	
Field programmes in Africa	40,073,294	39,776,636	-296,658	-0.74	869,310	2.19	40,645,946	
Field programmes in the Americas	36,680,263	36,480,820	-199,443	-0.54	687,903	1.89	37,168,723	
Field programmes in Arab States	8,129,430	8,019,857	-109,573	-1.35	470,753	5.87	8,490,610	
Field programmes in Asia and the Pacific	37,960,606	37,892,278	-68,328	-0.18	325,357	0.86	38,217,635	
Field programmes in Europe and Central Asia	12,380,652	12,292,165	-88,487	-0.71	637,306	5.18	12,929,471	
Support services	*55,565,895*	*53,325,275*	*-2,240,620*	*-4.03*	*674,473*	*1.26*	*53,999,748*	*11.43*
Library and information services	7,397,379	6,939,436	-457,943	-6.19	144,217	2.08	7,083,653	
Information technology and communications	11,625,682	11,738,382	112,700	0.97	151,013	1.29	11,889,395	
Internal administration	31,150,832	29,664,053	-1,486,779	-4.77	185,142	0.62	29,849,195	
Publications	5,392,002	4,983,404	-408,598	-7.58	194,101	3.89	5,177,505	
Management services	**37,694,107**	**38,029,597**	**335,490**	**0.89**	**272,345**	**0.72**	**38,301,942**	**8.11**
General management	6,339,726	6,275,250	-64,476	-1.02	54,323	0.87	6,329,573	
Human resources development	15,002,862	15,231,064	228,202	1.52	92,474	0.61	15,323,538	
Financial services	11,554,763	11,837,417	282,654	2.45	65,950	0.56	11,903,367	
Programming and management	4,796,756	4,685,866	-110,890	-2.31	59,598	1.27	4,745,464	
Other budgetary provisions	**20,243,879**	**20,549,417**	**305,538**	**1.51**	**448,047**	**2.18**	**20,997,464**	**4.43**
Adjustment for staff turnover	**-3,968,160**	**-3,968,160**	**-**	**-**	**-46,658**	**1.18**	**-4,014,818**	**-0.85**
TOTAL PART I	**466,595,000**	**464,590,800**	**-2,004,200**	**-0.43**	**7,022,705**	**1.51**	**471,613,505**	**99.81**
PART II. UNFORESEEN EXPENDITURE								
Unforeseen expenditure	**875,000**	**875,000**	**-**	**-**	**-**	**-**	**875,000**	**0.19**
PART III. WORKING CAPITAL FUND								
Working Capital Fund	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (PARTS I-III)	**467,470,000**	**465,465,800**	**-2,004,200**	**-0.43**	**7,022,705**	**1.51**	**472,488,505**	**100.00**

Other financial and administrative questions

Scales of assessment of contributions to the budget for the 2002-03 financial period

1. At its 280th Session (March 2001), the Governing Body decided, on the recommendation of the Government members of the Programme, Financial and Administrative Committee, to propose to the Conference at its 89th Session (June 2001) that it adopt the draft scale of assessments for 2002 and 2003 as set out in column 3 of Appendices A and B to the report of the Government members of the Committee on Allocations Matters.[2]

2. It will be for the Finance Committee of Government Representatives to consider the proposals put forward by the Governing Body concerning the draft scale of assessments for 2002 and 2003 and to make appropriate proposals to the Conference.

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[2] GB.280/11/4, reproduced as Annex 2 to this report.

Assessment of contributions of new member States

1. On 24 November 2000, the Federal Republic of Yugoslavia, which joined the United Nations on 1 November 2000, became a Member of the ILO.

2. At its 280th Session (March 2001), the Governing Body decided, on the recommendation of the Government members of the Programme, Financial and Administrative Committee [3] to propose to the Conference at its 89th Session (June 2001) that, in accordance with the established practice of harmonizing the rates of assessment of ILO member States with their rates of assessment in the United Nations, the contribution of the Federal Republic of Yugoslavia to the ILO budget for the period of its membership in the Organization in 2000 and 2001 be based on an annual assessment rate of 0.026 per cent and 0.020 per cent respectively.

3. It will be for the Finance Committee of Government Representatives to consider this proposal put forward by the Governing Body and to make appropriate proposals to the Conference.

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[3] Report of the Government members of the Committee on Allocations Matters (GB.280/11/4), reproduced as Annex 2 to this report.

Review of the Financial Regulations governing cash surpluses and deficits

1. At its 279th Session (November 2000), the Programme, Financial and Administrative Committee considered a paper [4] on proposed amendments to the Financial Regulations, required to put into effect the direct use of arrears of contributions received to reimburse the Working Capital Fund or to repay amounts borrowed to finance a cash deficit in a previous period. An extract of the Programme, Financial and Administrative Committee's report to the Governing Body is reproduced as Annex 4 to this report.

2. During the same session, the Governing Body decided to endorse the Committee's proposal and to recommend to the Conference that it adopt a resolution in the following terms:

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to put into effect the direct use of arrears of contributions received to reimburse the Working Capital Fund or to repay amounts borrowed to finance a cash deficit in a previous financial period;

Decides to make the following amendments to the Financial Regulations: [5]

Article 18

1. The excess [or shortfall of income over expenditure] **of income over expenditure (surplus) or the shortfall in income compared with expenditure (deficit)** in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the [date of the financial statements at the] end of the financial period.

2. Any such [excess of income over expenditure] **surplus**, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

Article 21

1. (No change.)

---

[4] GB.279/PFA/4, reproduced as Annex 3 to this report.

[5] Additions are shown in bold type; deletions are indicated by square brackets.

2. If any sums withdrawn from the Working Capital Fund or borrowed to finance [budgetary] expenditure [pending receipt of contributions or other income and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body] cannot be reimbursed in the course of the same financial period, then:

(a) to the extent that the sums were withdrawn or borrowed to finance budgetary expenditure pending the receipt of contributions or other income, they shall be reimbursed from arrears of contributions received in the following financial period or periods;

(b) to the extent that the sums were withdrawn or borrowed to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, they [owing to the fact that the total budgetary income for the period falls short of total authorized expenditure incurred during the period, the sums so borrowed or withdrawn] **shall be reimbursed to the lender or lenders and to the Fund in the second year of the next following financial period by adding to the contributions assessed on member States for that year an additional assessment in Swiss francs equivalent to the amount so borrowed or withdrawn**[:]**, provided that temporary surpluses** [of budgetary income over expenditure occurring at any time] **shall be utilized to the extent possible to reduce the amount of outstanding loans or advances.**

3. (No change).

Composition of the Administrative Tribunal of the International Labour Organization

At its 280th Session (March 2001), the Governing Body decided, on the recommendation of its Programme, Financial and Administrative Committee, [6] to propose to the International Labour Conference at its 89th Session (June 2001) that it renew the terms of office of Mr. Michel Gentot (France) and that of Mr. Jean-François Egli (Switzerland) for a period of three years, and that it adopt a resolution in the following terms:

> ***The General Conference of the International Labour Organization,***
>
> ***Decides, in accordance with Article III of the Statute of the Administrative Tribunal of the International Labour Organization, to renew the appointment of Mr. Michel Gentot (France) and that of Mr. Jean-François Egli (Switzerland) for a term of three years.***

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[6] GB.280/PFA/14/2, reproduced as Annex 5 to this report.

Appointments to the ILO Staff Pension Committee (United Nations Joint Staff Pension Board)

At its 280th Session (March 2001), the Governing Body decided, on the recommendation of its Programme, Financial and Administrative Committee, [7] to propose to the International Labour Conference at its 89th Session (June 2001) that it appoint members and alternate members of the ILO Staff Pension Committee (United Nations Joint Staff Pension Board) for a period of three years until 8 October 2004, and that it adopt a resolution in the following terms:

> ***The General Conference of the International Labour Organization,***
>
> ***Appoints to the ILO Staff Pension Committee (United Nations Joint Staff Pension Board) for a period of three years until 8 October 2004, the following members and alternate members:***
>
> ***Members:***
>
> ***Mr. W. Ringkamp (Government, Germany)***
>
> ***Mr. M. Barde (Employer)***
>
> ***Mr. M. Blondel (Worker)***
>
> ***Alternate members:***
>
> ***Mr. R. Schibli (Switzerland)***
>
> ***Mr. P. Simonsen (Denmark)***
>
> ***Mr. A. Young (United Kingdom)***

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[7] GB.280/PFA/13/1, reproduced as Annex 6 to this report.

Annex 1

Third report of the Programme, Financial and Administrative Committee of the Governing Body at its 280th Session (March 2001) (GB.280/11/3)

Annex 1

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.280/11/3
280th Session

Geneva, March 2001

ELEVENTH ITEM ON THE AGENDA

Reports of the Programme, Financial and Administrative Committee

Third report: Programme and Budget proposals for 2002-03

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1. The Programme, Financial and Administrative Committee of the Governing Body met on 12, 14, 15 and 22 March 2001, chaired by Mr. C.L.N. Amorim, Chairperson of the Governing Body. Mr. D. Willers (Government representative, Germany) was the Reporter.

Programme and Budget proposals for 2002-03 (Seventh item on the agenda)

2. The Committee had before it the Director General's Programme and Budget proposals for 2002-03. This document comprised a message from the Director-General; an executive summary; a proposed strategic budget for 2002-03; detailed information on the strategic objectives; detailed information on governance, support and management; a draft budget of expenditure and income for 2002-03; and a number of information annexes.

3. The Committee's discussion was opened by the Director-General, who made a statement introducing his programme and budget proposals. The statement is reproduced in Appendix I.

4. After a recess, the Committee began its discussion of the programme and budget proposals.

General discussion of the programme and budget proposals

5. Mr. Blondel stated that he felt most honoured by the Director-General's reply to his question and his statement concerning the soul of the ILO. The Workers' group supported the team concept highlighted by the Director-General. Synergies and interactions were needed if the whole Organization were to move in step. The Workers' group, too, endeavoured to adopt a global and strategic, or even holistic, approach. It sought to take a global perspective, for example, in the choice of budgetary allocations, which were part of a policy which in turn fitted within an even wider context.

6. Turning to the Programme and Budget proposals for 2002-03, he pointed out that they followed on from the Director-General's policy approach and that the Workers' group had no problem endorsing the Director-General's message set forth in his introduction to the proposals. The speaker emphasized that this was a zero growth budget and that for 20 years now the ILO had adopted zero growth budgets, disregarding increasing demands from its constituents. He therefore called on Governments to increase the budget, which would make it possible to move beyond the present passive approach and mobilize more resources to expand activities. He also recalled that if extra-budgetary resources were to be increased without extending the regular budget, this would affect delivery and could lead to a shift in priorities. For example, IPEC's delivery rate was no more than 60 per cent.

7. The programme and budget proposals provided for two reductions which the Workers could not accept. The first was a 10 per cent cut in the SafeWork programme. The second was a reduction of some 12.8 per cent in the Multinational Enterprises programme. They also had some reservations with regard to the reduction in expenditure on sectoral activities. On the other hand, the Workers welcomed the additional resources assigned to Strategic Objective No. 1 and noted that two-thirds of this increase went to child labour and the rest to the Declaration. On behalf of the Workers, the speaker expressed his support for the Decent Work Agenda, with intersectoral operational support aimed at promoting the concept of decent work at the national, regional and international levels. Nevertheless, they had some reservations concerning the setting up of decent work teams.

8. The Workers welcomed the new programme on HIV/AIDS, even if the financing allocated to it appeared to be inadequate. It was hoped that this programme would benefit from extra-budgetary resources in order to meet requests for technical assistance from the hard-hit African countries. The speaker once again emphasized the importance of cooperation with WHO, in particular.

9. The Workers also supported the proposed increase in funding for the International Policy Group. They emphasized that the Office should give special attention to globalization issues and especially its impact on employment and observance of international labour standards. The Employment Sector budget had been reduced by 3.9 per cent, largely as a result of the decrease in UNDP extra-budgetary resources. Nonetheless, it still accounted for the largest share of the budget with 26 per cent, compared to 20.5 per cent for Social Dialogue, 16.6 per cent for Standards and Fundamental Principles and Rights at Work and 12.3 per cent for Social Protection. The Employment Sector included an allocation of $1.3 million for gender promotion, but the Workers wished to have more information on the activities that would be undertaken in this context. They noted with satisfaction that gender issues were understood as central to the Decent Work Agenda at the national and international levels. The Workers also noted a substantial reduction in the budget for support services; care must be taken so that this did not affect the efficiency of such important services as the Library and Information Services and Publications.

10. Concerning technical meetings, the Workers emphasized the need for the Office and technical departments to be allowed enough time to prepare meetings. Two meetings were planned for 2002, but in November 2001 the Office would have to submit formal proposals for the other five technical meetings. The speaker found the proposed operational budget in Information Annex 3, providing a breakdown of the resources allocated for the four sectors by item, very interesting. He wondered why expenditure on travel on official business was to be increased while staff costs were to be reduced in three of the four major sectors. In the light of the discussion on the report on programme implementation in 2000, he asked whether more information could be provided on the targets referred to and whether the names of the member States concerned could be communicated to PROGRAM. This would make it possible to link outcomes to Office action.

11. Moreover, the Workers wished to examine the allocation under "unforeseen expenditure", as they regretted that the ILO had not responded more actively to the tragedy that had hit India in January. Lastly, they welcomed the idea of instilling a team spirit and a culture of communication among officials, as well as enhancing the ILO's image.

12. Mr. Marshall, speaking on behalf of the Employer members, said that the Office document was the second prepared under the new strategic budgeting regime. The ILO had started well in the current biennium, even though the new regime called for quite dramatic changes in the culture of the ILO and in the way it operated. The programme for 2002-03 still consisted basically of four pillars, representing the four strategic objectives of the Organization, and aimed at the creation of greater opportunities for men and women for decent work and income, the promotion and realization of fundamental principles and rights at work, the enhancement of the coverage and effectiveness of social protection for all, and the strengthening of tripartism and social dialogue. The move to strategic budgeting had been supported by a reorganization of the Office, including the management structure, and the challenge for the ILO now was to maintain the impetus that had been created. The budget proposals for the next biennium conformed fully to the new budgetary approach but the Employers were somewhat alarmed to see evidence of a subtle change in focus away from the key priority of employment generation back to an emphasis on employment protection, a move they found difficult to support. Apart from this they would continue to support the development of objectives, targets and indicators, the establishment of effective evaluation and reporting mechanisms, the development of the ILO's human resources, the refinement of planning and priority setting, and the reform of core activities such as standard setting and the restructuring of delivery systems. Much had already been achieved and the Employers were fully committed to working with other Governing Body members and with the Office to build on those achievements. But the ILO must be sure that its work met the needs of the modern world. To help it do so, and before making decisions on budgetary proposals, it would be useful to have evaluations from previous periods and to hold consultations on programme options and priorities separate from detailed budget discussions. In fact this would be very similar to the business planning process found in the commercial world.

13. The last few years had seen strong growth in the level of extra-budgetary resources made available to the ILO. Inevitably this had led to heavier demand for ILO support services and this should be built into planning, budgeting and governance activities in the ILO because it was just as accountable for these resources as it was for regular budget resources. For this reason it was important that future budgets show all funding sources, regular, extra-budgetary and the total, for each line of activity carried out by the ILO. It should also take special care that extra-budgetary activities did not interfere with work on core programmes and activities. This did not mean that extra-budgetary donors should be discouraged – in fact, quite the contrary. But the ILO should have in place a contingency plan to ensure that core programmes did not suffer if there were dramatic changes in extra-budgetary funding levels.

14. Human resource strategy was being changed in the ILO, but best results would only be seen if it was supported by a proper training budget. The Employers would welcome some information on what provision had been made, expressed as a percentage of the payroll. The promotion of greater cooperation and teamwork within the Organization would be critical to achieving its strategic objectives and progress so far was encouraging, but more needed to be done. In a similar vein, the Employers strongly supported the moves towards the introduction of personal objectives and performance measurement, also the results-based management system, all of which would help the Office and indeed the ILO as a whole to work more effectively.

15. Mr. Marshall drew attention to paragraph 4 of the Director-General's introductory statement in the document before the Committee. It read "… Decent work recognizes that creating jobs is the essential starting point for progress on rights at work, social protection, and social dialogue, for it is through jobs that the latter objective becomes a reality. …" Without underrating the strategic objectives it was of the highest importance that this statement of philosophy be borne in mind. At the moment neither the programme documentation nor the budget fully reflected this prescription. Indeed, there was evidence to the contrary. The programme and budget proposals focused mainly on activities and policies concerning poverty alleviation and work protection at the expense of employment promotion and job creation, which should be restored to their proper place in ILO programmes. Similarly, paragraph 31 was most unhelpful especially as it flew in the face of research carried out by the OECD which stated quite clearly that FDI was not violating international standards. It was possible that this paragraph could be expressing the views and beliefs which had misdirected the preparation of the budget proposals. The Director-General had explained the concept of decent work and the activities of the decent work teams. The Employers saw decent work as the pursuit of an employment and working environment in which the Declaration on Fundamental Principles and Rights at Work was upheld. At the moment it was not at all clear how these teams would work in practice and even if they were compatible with sound management. A better approach might be to restructure existing resources at regional level along the sectoral lines adopted in Geneva and coordinate them through senior management at headquarters and in the regions. Management should develop a culture of communication and cooperation so as to achieve the ILO's objectives.

16. The size of the budget was obviously an important issue for the Committee but in many ways it should be a secondary product, resulting from discussion and consensus on strategic direction and programme priorities. The fact that discussion still did not proceed along these lines was probably a major factor in the debate about zero nominal versus zero real growth. The Employers would listen to other speakers before pronouncing itself on this matter.

17. Turning to the budget detail, resources for standards-related activities had been increased substantially, while employment activities and, to a lesser extent, social protection and social dialogue activities, had been reduced, although some of these activities would be supported from the increases to cross-cutting activities. Standards had also provided for a number of priorities identified by the Governing Body such as the comprehensive review of standards, work on child labour and promotion of the Declaration. The Employers were seriously concerned, however, to see that the largest reductions in the employment budget were applied to employment strategy, small and medium enterprise development, and management and corporate citizenship activities, above all in this particular year. The ILO was working hard to position itself as a world leader in employment matters, and the United Nations Global Compact, together with a planned international employment forum and other similar initiatives, would help it do so. This surely was not the time for the ILO to send out conflicting signals by cutting back on its Employment Sector funding and activities. The Employers would like to be reassured that internal processes were sufficiently flexible for resources to be moved in accordance with changes to priorities.

18. Cross-cutting activities such as the work of the International Policy Group were important but in the final analysis their work related directly to that of the four strategic objectives. In view of these strong links it might be better for this part of cross-cutting activities to be funded by an agreed transfer of resources from the strategic departments in accordance with the work performed. This would introduce accountability and would ensure the maintenance of a close relationship between cross-cutting activities and the individual sectors. As a final point the Employers asked for future budgetary tables to include comparable figures from the previous biennium.

19. The representative of the Government of Mexico said that the Latin American and Caribbean member States wished to thank the Director-General for having presented innovative Programme and Budget proposals for 2002-03. It was a considerable advance on the previous biennium with regard to clarity, consistency and ease of understanding, and gave a general overview of the strategic objectives with regard to the central theme of decent work as well as greater precision in the presentation of indicators and each of the strategic elements. They reiterated their support for the concept of decent work and the way it was supported by interaction among the four strategic objectives. The creation of jobs was of course the starting point, but it was also necessary to increase respect for labour rights, improve working conditions and promote social dialogue. In view of the high priority for employment generation it was worrying to see a reduction of resources given over to this strategic objective even though there would be efforts to increase the employment component in other programmes. However, it was regrettable that some of these activities were less prominent now, especially when preparations were going ahead for the Development Summit and the Microcredit Summit.

20. It was commendable of the Director-General to find more extra-budgetary resources for ILO programmes but the use of these resources should not distort the priorities decided by ILO constituents. They were well satisfied by the ILO programme on HIV/AIDS which had been implemented in keeping with the resolution adopted by the Conference in June 2000. With regard to paragraphs 205 and 206 of the Office document, they sought clarification on what role the ILO could play as commercial integration expanded throughout the Americas.

21. The representative of the Government of Chile expressed appreciation for the Programme and Budget proposals for 2002-03, now compressed to a single document. The four strategic objectives, underpinned by ten operational objectives, represented the core activities of the ILO and centred on the concept of decent work. But the notion of job creation was fundamental to decent work and it was therefore a matter of some concern to see budgetary resources reduced for Strategic Objective No. 2. The ILO programme on HIV/AIDS was a welcome addition to ILO activities and deserved the fullest support. He was pleased to express full support also for the full range of programme and budget activities proposed by the ILO for the next biennium.

22. The representative of the Government of the United Kingdom, speaking on behalf of the IMEC group, expressed appreciation for the budget document and for its early issue. In terms of presentation the document represented another step forward in the implementation of results-based budgeting. They welcomed the user-friendly format and were pleased to see that strategic objectives, operational objectives, indicators and targets were all identified in the document.

23. In particular, IMEC welcomed the efforts by the Office to integrate extra-budgetary funding into the document. They recognized that this was not the final stage in the process because results-based budgeting was not an end in itself, only a useful tool to help shape the priorities of the ILO. In terms of substance the shifts in resources, although not great, were in line with the priorities, and they welcomed the redistribution of resources to standards policy, freedom of association, child labour, promotion of the Declaration and the International Policy Group. They wondered however whether there could have been a more radical redistribution of resources.

24. For example, they noted that the budget for employment programmes had been cut. This was largely due to a reduction in UNDP funding. It would be interesting to have the Office's analysis of why this had happened. Employment programmes were a key activity for the ILO and IMEC was extremely concerned about the signal a reduction in regular budget funding might send. They also wondered whether they were getting the impact they might expect from a budget of this size. Within this objective, IMEC would like to see a greater focus on key areas such as the development of a comprehensive employment framework, small enterprise developments, private voluntary initiatives, social finance initiatives and the knowledge-based economy.

25. As requested by the IMEC group at the last session of the Governing Body, the Director-General had only budgeted for two major meetings in 2002-03, leaving the flexibility to decide when and if there should be others. They accepted that Joint Maritime Commission activities in the current biennium would be financed from savings in Part I of the budget but for 2002-03 the budget should be amended to include JMC activities separately, with objectives and indicators set accordingly.

26. There were two new areas of activity in the budget. The new programme of HIV/AIDS was an area where the ILO could clearly add value in terms of issues relating to discrimination in the workplace against people living with HIV/AIDS and by using the ILO's unique tripartite structure to disseminate information. IMEC welcomed the establishment of this programme but the ILO should avoid reinventing the wheel and coordinate closely with UNAIDS and other relevant UN bodies. This programme appeared to be funded mainly from the budget for safety and health at work, a priority activity for IMEC and which should not be cut in favour of other programmes, so the Director-General should find other sources of funds for HIV/AIDS if possible.

27. He expressed appreciation to the Director-General for his comments on the decent work teams. Obviously IMEC had not yet considered these comments and could respond at a later date, but it did have concerns about the Director-General's original proposals because they seemed to create yet another layer of management. Even from the revised proposals it was still not clear whether there would be the necessary policy cohesion between headquarters, the regions, MDTs and country offices, and it was not clear that placing extra support staff in each region would solve the problem. IMEC believed that it was important to link objective setting at the centre with programme delivery in the field. Employment experts in the regions and at country level should be coordinating their work with headquarters, and there should be a review at field level to ensure this was reflected in reporting structures. The review should also assess the balance of resources allocated between the centre and the regions, as well as the current distribution of country offices and their relative costs. On a related issue, it was not entirely clear from the document who in headquarters was responsible for decent work, and IMEC would welcome some clarification. It also appreciated the emphasis on training activities and human resource management reform, as well as the efforts to ensure that results-based budgeting techniques permeated the whole of the ILO.

28. IMEC noted that almost 25 per cent of the budget was still being spent outside the four strategic objectives and in future biennia it would like to see more of this expenditure covered under the relevant strategic objectives as the ILO moved towards full cost accounting. IMEC would also like to see provision made within the budget for the funding of long-term capital expenditure because issues such as IT were too important to leave for windfall financing such as cash surplus and the payment of arrears. IMEC questioned the growing level of resources devoted to the Executive Directors' offices and common services in the budget, and would appreciate an explanation, especially where such expenditure had increased in sectors where the overall level of expenditure had declined.

29. IMEC emphasized that monitoring and evaluation were the key elements of results-based budgeting, and welcomed the proposal to evaluate four InFocus programmes in the coming biennium. Ongoing monitoring of established objectives was critical to the effective management of ILO programmes and every programme should clarify its baseline position, identify obtainable objectives and establish measurable targets and indicators. It was unfortunate that the report on programme implementation was late because much of the baseline data that it contained now needed to be integrated into the indicators and targets in the budget document. In summary, IMEC was extremely pleased with the level of progress that had been made in developing the new budgetary process and it looked forward to working with the Director-General as it was developed further.

30. The representative of the Government of the Russian Federation joined the previous speakers who had expressed appreciation for the Office document. The view of his Government was that the budget level for the 2002-03 biennium should be fixed at the same absolute figure as that for the present biennium. In other words, it should be based on zero nominal growth, although since contributions were calculated and paid in Swiss francs even under this regime many member States would be paying more. The allocation of resources between programmes and administrative support activities were a matter of some concern. He supported the overall increase in resources for the four strategic objectives, but could not agree with the proposal to reduce resources for employment promotion under Strategic Objective No. 2 when administrative servicing had been increased in both nominal and real terms. Surely it should be exactly the reverse.

31. From the Office document it was difficult to understand the rationale for the geographic distribution of ILO activities. There was no justification for holding the strategic objective elements of regional programmes at today's level when management services at headquarters were being expanded. It was even harder to understand when the document itself referred repeatedly to the serious employment situation in many ILO member States.

This was an anomaly which should be corrected in the final version of the Programme and Budget for 2002-03.

32. He expressed appreciation for the improved format of the budget document, particularly the inclusion of data on resources. The format could be further improved by using the experience of other international organizations and including specific indicators not just for the main programme activities but also for the administrative support services. Future programme and budget proposals should also reflect more of the practice in other organizations of the common system here in Geneva.

33. In conclusion, he expressed support for the proposal by the Western European group and the IMEC group concerning the Working Party for the Joint Maritime Commission. It was unfortunate that there were no papers from the Joint Inspection Unit for consideration at this session of the Governing Body, but he wished to express particular appreciation to the Office for providing a translation in Russian of the JIU report on administration and management in the ILO.

34. The representative of the Government of Algeria, speaking on behalf of the African group, congratulated the Chairperson on the manner in which he had directed the Committee's work. He thanked the Office for its efforts in preparing the programme and budget proposals and explained that he was speaking in his capacity as coordinator of the African group for budgetary and administrative questions. His group welcomed the introduction of performance indicators, which were the best tool for strategic budgeting. He commended the Office for its work with regard to HIV/AIDS, employment and child labour. These activities, particularly in the African region, deserved to be supported by all of the constituents. He welcomed the introduction of the Decent Work Agenda, which integrated the concerns of constituents in the framework of the four strategic objectives. However, this concept would have to be refined before being integrated in the new budget proposals.

35. The African group emphasized that priority should be given to employment and requested that its views be expressed at the special donors' meeting. It was concerned to see that certain programmes relating to employment were to be reduced, and requested information on the withdrawal of UNDP funding in this area. The Office should look at ways of restoring the employment allocation to previous levels in order to assist development in Africa. As regards the "Jobs for Africa" programme, the African group had already made repeated requests for information on the progress made in the projects in the countries concerned.

36. The African group noted an increase in activities related to certain categories of standards and fundamental principles and rights at work. This selective growth, which reflected donor choices, could mean playing employment and normative action against one another. While he did not deny the importance of promoting standards in the ILO's mandate, this should not be done to the detriment of priorities that were of concern to the African group. At the national level, job training strategies and employment services had to be strengthened. Standards should go hand in hand with employment, and not replace it. The application of certain instruments that were being promoted today presupposed that the member States concerned had achieved economic equilibrium. Irrespective of political commitment, economic reality was a determining factor in labour legislation. Therefore the African group called for a strengthening of technical assistance in the implementation of international labour standards and a link between employment promotion and fundamental rights. It also asked for an increase in resources for the regional offices to enable them to carry out their tasks.

37. Lastly, concerning the programme on HIV/AIDS in the workplace, the speaker called for coordination with WHO and UNAIDS.

38. The representative of the Government of Denmark associated herself fully with the statement made on behalf of the IMEC group, but wished to make a few additional comments. The programme and budget presentation was now clearer and more focused and reflected more precisely the overall strategy of the ILO. The indicators and targets in general appeared well defined, although some could and should be more clearly linked to the results they were intended to achieve. The success of the ILO would be measured by its performance, so it was essential that indicators and targets were all measurable, quantifiable and clearly linked to outcomes.

39. The Decent Work Agenda for 2002-03 was a welcome innovation, but not if it meant creating extra layers of management. The existing management structure should be used to ensure that sectors, InFocus programmes, regions and area offices all worked in an integrated and multidisciplinary manner with a common objective. After all, promoting decent work was and should be everybody's business, and should be reflected in the work programmes of all units in the ILO. The additional comments on decent work from the Director-General were most welcome, but it was still not clear whether the decent work programmes could be accommodated within existing administrative structures.

40. Her Government also welcomed the redistribution of resources to programmes on standards policies, freedom of association, child labour and the new HIV/AIDS programme, and commended the Office for its prompt action to requests for a stronger ILO response to HIV/AIDS. A strong multidimensional response was needed and it was hoped that the programme would be financially supported by the Organization as a whole as well as by the four strategic objectives. A particular concern was the implications the current financing arrangements for the HIV/AIDS programme had on resources available for the InFocus Programme on SafeWork. Another welcome development was the higher priority to be given to analytical work in the ILO. In a globalized and rapidly changing world there was a continuing need for analysis and research on employment-related matters. Through strategic research in the fields of policy-making, employment and social matters, the ILO would not only assist member States and support both donor and international organizations but also build an extensive knowledge base, an essential for providing focused and high-quality technical assistance. With regard to regional programmes, Denmark would like to see a larger part of resources for field activities in Europe to be used for the benefit of Central and Eastern Europe, and she would address this topic in more detail later. The Director-General had maintained his strong commitment to gender equality and it was reassuring to see that gender issues were integrated across all ILO activities, first through the use of indicators and targets that were gender-sensitive and second through initiatives designed to address key gender equality priorities in the ILO context. At a later stage the Governing Body would discuss the report of the 29th Session of the Joint Maritime Commission but at present she expressed support for the resolutions of the Commission and requested the Director-General to ensure that sufficient resources were allocated for the Office to prepare for these activities. As a concluding comment, the Danish Government expressed its support for a zero real growth budget.

41. The representative of the Government of Malaysia, speaking on behalf of the Asia and Pacific group, said that the new format and presentation of the Programme and Budget proposals for 2002-03 was a step in the right direction. The group had listened with interest to the Director-General's introduction and supported the efforts for improved accountability for performance, greater transparency, and greater coherence across strategic objectives. They acknowledged also the efforts made by the Director-General in the further development of strategic budgeting within the ILO and in focusing the work of the Office on key strategic objectives. They expressed support for the efforts to develop meaningful performance-assessment measures although some of the indicators did not accurately reflect the activities to which they referred and in due course there should be further improvements to the objectives, indicators and targets in the programme and budget document. Another welcome development was the Director-General's intention to ensure that quality performance became a part of the ILO ethos.

42. The report on programme implementation in 2000 provided a useful overview of ILO activities in the first half of the current biennium, especially the evaluations against performance criteria, and the Office should also pay close attention to the observations of the Chief Internal Auditor on this matter.

43. At the November 2000 session of the Governing Body the Director-General had mentioned that employment promotion was at the heart of the Decent Work Agenda. The Asia and Pacific group wholeheartedly agreed with this statement and was therefore worried to see a reduction of resources for Strategic Objective No. 2 proposed for the 2002-03 biennium. Employment generation was a core objective of the ILO, and although they supported attempts by the Director-General to augment extra-budgetary funding for this activity they were seriously concerned that cuts in regular budget allocations would be sending all the wrong signals. If employment promotion was at the heart of the Decent Work Agenda, then the ILO should lead the way by giving it top priority in resource allocation. Despite some progress the problems of poverty persisted in the Asia and Pacific region and would continue until there were job opportunities for all. The ILO should therefore attach the highest priority to its employment-related programmes, especially public works programmes in infrastructure and in the informal sector, where there was the greatest potential for creating jobs for the poor. These programmes could be especially useful in creating jobs at a time of crisis.

44. The Asia and Pacific group believed that social protection was a crucial part of decent work and played a special role in protecting workers' rights. Unfortunately the resources allocated for this objective were decreasing but in view of the special needs of many member States it urged the Office to reverse this trend. The group reiterated its commitment to the Declaration on Fundamental Principles and Rights at Work. In view of the critical need for promotional activities the substantial increase in the budget for standards and the Declaration should be devoted primarily towards promotional work rather than the supervisory mechanism. To help generate more employment for the poor in particular, ILO programmes to create self-employment through microcredit and micro-enterprise development should be given top priority.

45. The representative of the Government of India expressed appreciation for a comprehensive document on the Programme and Budget for 2002-03 and appreciated the direction given by the Director-General to implement the Decent Work Agenda despite the constraints of a zero growth budget. The budget document was not only a framework but an engine for growth and its strategic objectives included ensuring a decent workplace for workers. He expressed support for the four strategic objectives but noted that the principal area of expansion related to standards and fundamental principles and rights at work. He supported the statement in paragraph 39 that progress towards achieving this strategic objective would depend on technical cooperation, drawing on the ILO's normative action and processes deriving from the Declaration on Fundamental Principles and Rights at Work and the International Programme on the Elimination of Child Labour.

46. The purpose of the follow-up to the Declaration was not only to identify areas requiring technical assistance but also to evaluate the benefits of assistance made available. While expanding the efforts to improve the application of fundamental principles and rights at work, the ILO should continue to stress that the Declaration and its follow-up should not be used for protectionist purposes and there should be cooperation with the national governments with a view to identifying obstacles to the implementation of the Declaration. The source of funds for promotional work on the Declaration was not clear, but in view of its importance funding should be ensured through the regular budget.

47. His Government appreciated the emphasis placed by the ILO on resolving the special problems that affected millions of children. The use of IPEC as an instrument for eliminating child labour had attracted funds from a number of external sources, but relying too heavily on extra-budgetary funds could be counter-productive because development programmes were too important to be subject to uncertain funding. The emphasis on employment issues under Strategic Objective No. 2 deserved full support in the light of the economic conditions in many countries around the world. In fact, it should be given the highest priority because social progress and growth depended on employment generation and in turn would affect the achievement of the other three strategic objectives. It was therefore a matter of concern to see the sharp decline in regular and extra-budgetary resources for this core activity. The ILO alone could not address all the problems relating to employment generation and there should therefore be better cooperation among nations and among the multilateral agencies, under both the United Nations system and the Bretton Woods institutions. But the ILO had a major role in formulating a comprehensive employment strategy as a set of guidelines to national governments and multilateral agencies and it should demonstrate its commitment to this core activity by reversing the budget cuts. He also welcomed the emphasis on knowledge, skills and employability as set out in operational objective 2b and also the emphasis on small enterprises for employment generation in operational objective 2c. The informal sector was an integral part of the urban economy in many countries and its potential for job creation was well understood. More efforts were therefore needed to help this large, unrecognized and invisible workforce to secure better employment opportunities, particularly in fields related to rural enterprises and community-based public infrastructure.

48. Strategic Objective No. 3 also merited full support. The *World Labour Report 2000* pointed out that in many countries the social safety net of unemployment benefits and insurance did not exist. Both were important social security measures and there should be a full allocation of resources for this important activity. Other aspects of this strategic objective deserving special mention included the programmes on HIV/AIDS, promotional campaigns for a new standard on safety and health in agriculture, and the work of the multidisciplinary teams. He recalled that at a previous meeting he had recommended that the ILO should consider holding tripartite consultations on international migration because of the urgent need for ILO action in this field, and he hoped that this could be incorporated in the final proposals.

49. The representative of the Government of Germany endorsed the statements made on behalf of the IMEC group but wished to make a few additional statements on specific matters. He acknowledged the comments of earlier speakers concerning the new presentation of the programme and budget proposals. They were certainly much easier to follow but compared with earlier presentations a lot of solid information had been sacrificed in the process and it was not clear whether anything had been gained. The proposed budget for 2002-03 totalled almost $475 million and for a proper discussion on budgetary resources at this level the discussion document should be a little more comprehensive. He reiterated his view that the budget proposals submitted to the Governing Body and then to the Conference should be prepared on the basis of zero nominal growth, not zero real growth.

50. The statement on HIV/AIDS by the IMEC representative was quite clear, but outsiders reading the budget document might conclude that HIV/AIDS was one of the main activities of the ILO. The Conference resolution last year said that the ILO was to coordinate its work on this matter with other international organizations and as an earlier speaker had remarked this was not clear in the programme and budget document.

51. It was reassuring to hear from the Director-General that no additional management structures would be necessary to carry out the decent work programmes. These programmes were a new concept in the ILO and were closely connected to the core activities of employment promotion, health and safety at work and social protection. Much of this expertise already existed in the regions so it should not be necessary to be calling all the time on head office experts for this work.

52. Information Annex 3 showed an increase of 11 per cent in travel costs compared with the present biennium. Within this figure there were substantial increases for certain departments, for instance the Human Resources Department and the Legal Services Department. There was no information in the document on why such increases were necessary and it would be useful to have some information from the Office on this matter.

53. The representative of the Government of Italy endorsed the statement made on behalf of the IMEC group. He thanked the Organization for its efforts to present a zero real growth budget in the face of growing demands for activities, but hoped that the ILO would continue to reduce expenditure that was not strictly necessary.

54. The presentation of extra-budgetary alongside regular budget resources made it easier to understand the structure of expenditure but did not make it any clearer how these sources of financing contributed to implementing the strategic objectives. The Employers' proposal in this regard was very interesting.

55. Employment was fundamental to achieving the objective of decent work for all, but more information was needed. Italy participated in the small enterprise development programme but had little information about activities in this field, with the exception of the *World Employment Report*, which was not circulated widely enough. As regards the decent work teams, he shared the concerns of the IMEC group and emphasized that the decent work strategy should address two problems: improving collaboration between the regions and Geneva, on the one hand, and that between the different sectors in Geneva, on the other. He was not convinced that the decent work teams as presented here would be able to solve these problems, which were crucial to the smooth running of the Organization.

56. The representative of the Government of Switzerland supported the statement made on behalf of the IMEC group. She congratulated the Director-General and his team for having presented, for the first time in the history of the Organization, a single document on the programme and budget for the biennium. This well-structured document presented targets and indicators clearly and realistically. Moreover, it was based on the principle of zero real growth, which Switzerland had always upheld and continued to uphold. Nonetheless, there were a number of comments to be made with a view to further improving the financial management of the ILO. Zero real growth meant that choices had to be made, and this called for reductions of other items, such as sectoral activities. A large share of ILO activities should be financed through extra-budgetary resources. The Office should therefore seek additional sources of financing, and in this respect the proposal to hold a special donors' meeting seemed to be an excellent initiative. Switzerland fully supported this approach and encouraged the Office to seek additional financing from the private sector, as WHO was already doing, which would at the same time enable it to increase public awareness of its work. However, care had to be taken to ensure that the source of such extra-budgetary financing did not jeopardize the Organization's independence, which was essential, or result in a conflict of interests. Switzerland hoped that transparency would be guaranteed in accordance with the principles of independence and objectivity in which the Organization's strength lay.

57. The programme and budget presented a proactive vision of the Organization and strengthened its action in the field within the framework of its core mandate, while encouraging it to step up cooperation with other international organizations, financial institutions, etc. Switzerland supported this approach fully.

58. The representative of the Government of Namibia commended the Office for the presentation of the Programme and Budget proposals for 2002-03 and voiced his support for the comments made by the Algerian delegate on behalf of the African group. The allocation of funds to the agreed strategic objectives, and the resources that were available to implement them and the relevant InFocus programmes, were clearly documented and easy to analyse. Developmental issues in the programme and budget proposals were more clearly mainstreamed than previously and reflected the desire to improve accountability and performance while enhancing transparency. It was important to understand, however, the impact that a zero growth budget and late payment of contributions might have on developing countries. For example, a number of operational activities would probably be cut, while the late payment of member State contributions left a shortfall in the operational budget. This not only jeopardized ILO activities but also meant that the only way to ensure the completion of projects was to seek additional financing. The ILO should encourage the payment of arrears rather than increase the contributions of those member States that had already paid. The redistribution of scarce financial resources between competing operational activities was difficult to decide but it was unwise to shift the emphasis for financing priority activities from regular budget to extra-budgetary financing.

59. With regard to the reduction of resources for the strategic objective on employment, a zero growth budget ceiling should not be used as an excuse for reducing budgetary allocations, especially to high-priority activities. It was difficult to accept that in developing countries, many already burdened with high levels of poverty and unemployment, programmes aimed at poverty reduction through employment creation were to receive less funding than in the previous biennium. For many of them a depreciating currency and increasing national debt not only widened the gap between rich and poor but also exacerbated their problems of poverty and unemployment. The Office should review its decision to cut resources for Strategic Objective No. 2.

60. With regard to social protection, the response of the ILO to meet the challenge of the HIV/AIDS pandemic was applauded although it was important not to place too much reliance on extra-budgetary financing for such an important strategic objective. The reductions in financing for other technical operations within the social protection strategic objective, such as safety and health at work and the environment InFocus programmes, was disappointing especially since the negative effects of globalization and increasing poverty in the developing world justified an increase in resources. With regard to standards and fundamental principles and rights at work, a separate programme aimed at developing standards that prevented discrimination against HIV/AIDS sufferers should have been added. He supported the InFocus Programme on Child Labour but pointed out that the possible negative effects of HIV/AIDS on child labour were often overlooked. Children who had lost their parents were most vulnerable and perhaps the Social Protection Sector could look at this problem in more detail. Social dialogue was essential for achieving the overall objectives of decent work and for counterbalancing the erosion of tripartism often associated with globalization so it was particularly encouraging that resources for this objective had been increased.

61. The strengthening of cooperation activities in the regions was of critical importance and it was surprising to see that regular budget resources had been maintained at the same level as the current biennium. The need to improve the capacities of the MDTs and regional offices was already agreed and the outstanding issue was the allocation of resources to satisfy this objective. MDT and regional office resources in the southern African region were severely limited, the Regional Office appeared to be understaffed as well and he appealed to the Office to increase the funding of these field structures so as to improve their delivery rate. The deployment of decent work teams in the regions would focus on the strategic objectives identified in the document and bring the ILO more into contact with the broader population. Donor assistance was also important if the objectives of the

programme and budget were to be achieved but experience showed that it was not always cost-effective. Policies and strategies developed within the ILO tripartite structure should form the basis upon which projects were developed and donor assistance requested.

62. The representative of the Government of France explained that his country was very much in favour of the proposals under discussion and naturally endorsed the positive response by previous speakers, as well as the comments of the IMEC group. The Organization appeared to be heading in the right direction, with more clear objectives, more professional methods, more readable documents and more efficient debates. The document reflected an effort to improve the Organization's effectiveness and performance and to challenge previous practices; such efforts should include rethinking the way in which its policy-making organs worked. For the first time, the Governing Body had information not only on the regular budget but also on extra-budgetary resources; there were three points he wished to raise in this respect.

63. The first point concerned the methods of financing of the Organization. Like many other countries, France was in favour of a zero real growth budget. The Director-General had pointed out that the resources available to the ILO were not in proportion to its mandate. While it was true that promoting decent work, combating unemployment and underemployment, putting 250 million child labourers in school and reducing the rate of occupational accidents and disease was an immense task for which the ILO had inadequate means at its disposal, it was also obvious that the ILO could not be held responsible for this situation. Moreover, in certain areas such as social dialogue, tripartism, safety and health of workers or employment, the ILO was fighting a lone battle. An effort had to be made so that the other international organizations would share its concern for employment, which could not be the sole responsibility of the ILO.

64. This situation no doubt explained the increase in extra-budgetary funding, which today accounted for half of the budget for the four strategic objectives. Some extra-budgetary contributions had played an innovative role, for example, Germany's contribution to IPEC. One ought to wonder, however, whether these extra-budgetary contributions were in fact a good thing, since they were often selectively targeted at certain areas such as employment and social dialogue or the promotion of fundamental rights, to the detriment of others. Given their size, these contributions were likely to affect the choices made by the Organization, and to a certain extent its orientations were determined by donor countries and not necessarily by the Governing Body and the Conference. It was thus certainly extra-budgetary contributions that had given employment its current major share of the budget. Another matter of concern was the Organization's inability to manage excessively large-scale programmes over which it had lost control through over-delegating.

65. The second point concerned priorities and choices in allocating resources among the four strategic objectives. Although it had been said that all of the objectives were equal in importance, this was not true if one compared employment, fundamental rights, social dialogue and social protection, for example. The latter was of major concern, since it covered not only workers' safety and health but also social security and other areas. No other international organization dealt with this matter, which was also of little interest to donor countries. The speaker pointed out that his comments were along the same lines as those of Mr. Blondel concerning the reduction in the SafeWork programme and in the resources allocated to health and safety.

66. The third point concerned what the Director-General called the challenges facing the ILO, and the speaker wholeheartedly endorsed the analysis and the suggestions put forward in the last paragraphs of the Director-General's statement. As the benchmark organization dealing with fundamental rights and standards in the labour sphere, the ILO had to have the intellectual and analytical capacity to play a decisive role. The Organization should set

up a think-tank on the future of work, employment and social protection, in cooperation with the International Institute of Labour Studies.

67. To conclude, the speaker pointed out that the ILO was the oldest of the international organizations and as such should be able to invite the other agencies in the United Nations system to make a contribution in line with the choices made by the Conference and the Governing Body.

68. The representative of the Government of China supported the comments made on behalf of the Asian-Pacific group and emphasized that closing the employment gap was the top priority of the Decent Work Agenda. Worldwide, 160 million people were unemployed, 850 million were underemployed and 500 million workers' families were living under the poverty line. Employment activities and strategies should continue to be central to the budget proposals for 2002-03. With severe global challenges of unemployment and poverty it was a pity to see that the regular budget allocations for employment and social protection continued to decline, potentially eroding or marginalizing the technical competence the ILO had in these areas. As the Director-General had stated in the document *Decent work*, without productive employment the goals of decent living standards, social and economic development and personal fulfilment were illusory, and it was important to organize a special donors' meeting to attract extra-budgetary financing from the international community so that global action against unemployment could continue.

69. The representative of the Government of New Zealand supported the statements already made on behalf of IMEC and the Asian-Pacific group. The budget reductions proposed for the employment sector was a serious matter especially as this activity was at the heart of decent work. The Governing Body had already identified employment as a priority objective and as budgetary allocations were under its control the resources for employment should have been increased. He supported the earlier statement on behalf of IMEC concerning the proposal for the programme and budget proposals to move towards full cost accounting in future. Additional information was however needed to allow the Committee to assess properly the basis upon which particular measures and targets were chosen and the degree to which targets represented a continuation or improvement of current levels of performance.

70. The importance of evaluation and supporting the strategic programme and budget decision-making process was paramount and it would be interesting to gauge the development of the ILO's evaluation strategy in the future. The Director-General's explanation of various elements of the proposed decent work teams was helpful, although how the regions would respond to the reform expectations of constituents, in particular those related to the delivery of results both within and across the four strategic objectives, was still unanswered. As a final point, his Government remained sympathetic to calls for a zero nominal growth budget as the efficiency and effectiveness threshold required to justify additional regular budget resources had still not been reached.

71. The representative of the Government of Mexico supported the reduction in the number of operational objectives from 16 to ten. Decisions taken by the Director-General to improve the efficiency and management of the Office and further reduce costs were commendable although more could still be done in this respect. He was encouraged by the presentation of a zero real growth budget, but in view of increasingly efficient management in the ILO and a continuing reduction in costs, the proposals should be recast to reflect zero nominal growth. It was disappointing that resources for some of the crucial strategic objectives, notably the objective of job creation, had been cut back while resources for other objectives had been increased. The creation of decent employment could only be achieved through training for productive employment and he encouraged the Office to give priority to this objective.

72. The representative of the Government of the Islamic Republic of Iran supported the comments made on behalf of the Asia and Pacific group. The document containing the programme and budget proposals was clear and easy to read although an assessment of the constraints would help the Committee in its deliberations, and an evaluation of past programmes could help the budgetary process. He reiterated his support for Strategic Objective No. 2 and warned that a zero real growth budget must not put these fundamental objectives in jeopardy.

73. The representative of the Government of South Africa endorsed the views expressed on behalf of the African group. The strategic budgeting approach would ensure that the ILO was one of the more innovative institutions and would enhance its programmes and activities. Sustained economic growth and full employment were the ultimate objectives but before that it was crucial for workers to find secure employment to support themselves and their families. The alternative was poverty, with children forced to work just to maintain families at subsistence level. For the African continent, if the situation did not improve, hundreds of millions of children would be exploited at work instead of acquiring the knowledge and skills that were needed to improve their lives and contribute to economic development.

74. Women and girls but increasingly boys too were resorting to prostitution and becoming both victims and carriers of HIV/AIDS. Urgent action was needed to halt this pandemic. It was reassuring to see the extra-budgetary allocation for additional research on the impact of HIV/AIDS on the labour market and the establishment of a unit that would deal with HIV/AIDS in the world of work, but the success of such programmes should not rely solely on donor funding. Maintaining resources for the MDTs and ILO offices in the region was vital for the programmes and activities in Africa and he urged the Office to accelerate the recruitment of staff for vacant posts in the MDTs.

75. Mr. Anand, an Employer member, praised the valuable work being done by the IFP on Crisis Response and Recovery, especially the work being carried out in Gujarat following the massive earthquake that devastated the region in January of this year. The earthquake directly affected a population of 16 million people with property loss of approximately $4.6 billion. Approximately 165,000 people had died, 330,000 homes had been destroyed and about 750,000 homes damaged while estimates on the number of job losses, mostly in the informal sector, had yet to be made. ILO assistance was much appreciated but much more was needed in view of the immensity of the disaster.

76. The competitive position adopted by the UNDP with respect to the ILO was worrisome and he emphasized that the ILO's RBTC activities must be protected and remain within the RBTC framework. He reiterated his concern on the structure and purpose of the decent work teams and suggested that a more thorough consultation was needed especially on the credentials of people appointed to key positions. It was vital that the responsibilities and objectives of each team director be clearly defined for both the official's and the ILO's benefit.

77. The representative of the Government of the Netherlands endorsed the comments made earlier by the representative of the IMEC group. The programme and budget document was an improvement over previous editions with a clear and precise structure but there was still room for improvement, especially on the issue of targets and indicators. Some targets, for instance the ratification of standards, were weak because they depended in part on the goodwill of governments, but it was clear that not all actions were quantifiable and this fact needed to be acknowledged. She welcomed the effort made to integrate extra-budgetary resources within the presentation as it provided a better understanding of the programme and the feasibility of the ILO's implementation strategy. The present distribution of funds among the four strategic objectives had grown over the years and could be explained from an historical perspective but it might be appropriate now to re-examine the distribution of funds and assess what the impact was on each sector. While there was a reduction of funds under the employment objective, it was still an important activity although like the others it needed to be justified by output. Equal importance should at least have been given to fundamental labour standards and the elimination of child labour and in future there should be a more uniform treatment of the four strategic objectives.

78. Under the budget's present format the aims of the decent work programme, the policy instruments and the goals of the ILO were reflected in the structure of the Office as well as being built into the architecture of the programme and budget. Effective implementation of decent work objectives, however, required not only cooperation between sectors but also between headquarters and the field. She was confident that present management was capable of achieving the necessary cooperation and also that ILO staff at different levels and in the field would be able to integrate this concept in their daily work. The creation of a cross-cutting programme on decent work and the establishment of decent work teams should therefore be questioned. The moment that decent work in all its forms was integrated into both the ILO and the programme, the two became one, and to have exclusive teams and cross-cutting programmes which operated outside the organizational structure seemed unnecessary to say the least.

79. The establishment of the global programme on HIV/AIDS in the world of work was a top priority. The ILO had a specific role to play but it was rather limited, focusing on the distribution of information using existing channels. The information certainly needed to be translated and adjusted to different cultures but it seemed that this programme was emphasized at the expense of others. More clarity on the present funding and the effect this might have had on other programmes, like the programme on safety and health at work, would have been desirable, together with a description of the links between this programme and UNAIDS.

80. Her Government had stressed on several occasions that there was room for improvement in the delivery of technical assistance to field programmes. Improvements in communication between headquarters and the field were also long overdue but were not provided for in the document. As well, decent work teams were not intended to improve the field structure in a strict sense because they were created as a tool to deliver the decent work message, so in a budget which did not show an increase for the regions one would have expected to find proposals to streamline communication to achieve greater efficiency. The Office should re-examine the present structure of local offices, regional offices and MDTs to determine if a simpler structure might not be more efficient. Her Government supported the zero real growth budget.

81. The representative of the Government of the United States supported the IMEC statement and thanked the Director-General and the Office for the significant work that had obviously gone into the preparation of the programme and budget proposals. Annex III gave useful information on the budget by object of expenditure and was extremely useful, and it was satisfying to see an attempt to integrate extra-budgetary activities into the document, including the identification of specific additional activities that could be carried out if voluntary contributions were made available. She supported the shifts in resources reflected in the document, particularly the redistribution of resources to standards and fundamental principles and rights at work, including child labour and the Declaration, and to the International Policy Group. Regarding the proposed decent work teams, the intent of the Director-General seemed to be for the entire Organization to be drawn together in both policy and technical spheres to ensure that the strategic objectives of the ILO became a reality around the world. Certainly the Director-General had been flexible in revising his proposals in response to various concerns, but she was not yet convinced that these decent work teams, even as amended, would be the best way to achieve the Director-General's objective. It was not clear what additional work these teams would do to promote decent work that the existing multidisciplinary teams and indeed the entire ILO was not already supposed to be doing. For that reason the existing management structures should be better used to ensure that all parts of the ILO, both at headquarters and in the field, worked together to promote decent work. To that end there should be a review of the field structure aimed at ensuring that programme development and delivery in the field were consistent with objectives established at headquarters. It should also assess the allocation of resources between headquarters and the field, as well as the appropriateness of the current distribution of field offices and their relative costs.

82. The United States strongly supported ILO efforts to conduct solid and focused research aimed at increasing understanding of decent work and its relation to economic and social development. This capability would be critical to the ILO, both in its own work and in its ability to influence the economic and social development strategies of other international organizations. The United States also supported the development of a long-term communication strategy in the ILO, including the development of a clear decent work methodology which would be used consistently throughout the entire Organization and across all communication channels. When the Director-General first introduced the concept of decent work, it crystallized for the international community in an extremely useful and easily understood way just what the ILO stood for. Since that time the term had been used in so many ways that it had almost lost its meaning, and the Office should be more precise in its usage before it was too late.

83. The critical importance of monitoring and evaluation to successful results-based budgeting was well known and she appreciated the inclusion of specific targets and indicators for each operational objective, although these needed to be further refined. However, in many instances baseline data was lacking or insufficient, and in order to develop appropriate strategies and efficiently allocate resources to projects it was imperative to know where the starting point was. The report on programme implementation in 2000 rightly pointed out that strategic budgeting implied that performance was measured in terms of outcomes and impacts in the real world rather than by activities carried out or outputs produced. In many cases the targets and indicators contained in the budget proposal focused only on volume of activity but a focus on outcomes was necessary if the ILO was to make informed decisions regarding its future activities. Additionally, in many cases, there seemed to be no relationship between targets and indicators and the strategies for achieving them, and in some cases it seemed that others could be more appropriate.

84. If the ILO was to consolidate its role and reputation as leader in the world of work it should demonstrate clearly the real-life impact of its work. Meaningful targets and indicators should be used to measure the ILO's achievements so it was all the more surprising to see that the ILO planned to rely on extra-budgetary support to train managers on the application of strategic budgeting. This training would be critical for successful results-based budgeting; the Office should therefore make proper provision for resources to do it. Finally, while the work of the ILO was clearly very important it was vital to maintain budgetary discipline in the international organizations, and in the ILO's case the key reforms implemented by the Director-General since the start of his tenure should allow it to accommodate cost increases within an overall zero nominal growth budget without adversely affecting its work.

85. The representative of the Government of Japan associated himself fully with the statement on behalf of the IMEC group but wished to add a few specific comments. The first point concerned the work of the regional offices. For the effective promotion of ILO activities in the field, a much closer liaison would be necessary between those advising on policy and the teams working in the regions, and this would be much more effective if a competent adviser was based locally instead of having policy issued from headquarters. This was related in a way to the process of decentralization, which for some reason seemed to have stalled. This process was first discussed a few years ago but so far not much had happened because resources for the biennium 2002-03 remained broadly in line with levels for the current biennium. It would be useful to have some information on this matter in due course.

86. The strategic objectives as a whole deserved broad support but the crucial objective, on which all others depended, was employment creation, so as a top priority more budgetary resources should be allocated to Strategic Objective No. 2. Social dialogue was another important strategic objective, and during the Asian financial crisis three years ago the processes for social dialogue through tripartism played a valuable role in starting the process of economic recovery throughout much of the region. Japan firmly believed in the promotion of tripartism and urged the ILO to ensure that the representation, services and influence of the social partners were strengthened.

87. Social protection, especially issues related to health and safety at work, were equally important and he welcomed the recent ILO initiative to compile a set of guidelines on occupational safety and health management systems. Ageing of the population was a serious problem in many countries and deserved the ILO's fullest attention in its work on social security.

88. The Programme and Budget proposals for 2002-03 proposed an increase of just over $7 million to cover cost increases. Japan was unable to approve the proposals in the present form because of its serious economic situation. Unemployment had reached an all-time high and the economic situation in Japan was every bit as serious as reported in the mass media. The Government was facing constant demands for economic restructuring, including employment policy. One recent development had been the reorganization of governmental agencies in an effort to reduce the administrative costs of the Government itself. Contributions to international organizations and to overseas development assistance was being carefully watched and the ILO could not be singled out for special treatment. The Office was to be commended for its efforts to cut down on administrative expenses but further efforts were obviously needed to achieve its programme for 2002-03 at zero nominal growth.

89. The representative of the Government of Cuba endorsed the statement made by the representative of Mexico on behalf of the Latin American and Caribbean member States, but wished to make a few additional comments. The Programme and Budget proposals for 2002-03 were much more transparent than previously and allowed for a better understanding of the links between the strategic objectives and InFocus programmes with the budgetary appropriations. In the light of these proposals the benefits could be seen of a modern management system based on results and which facilitated decision-making to guarantee the strategic objectives of the Organization. No less important in this context was the need to carry out continuing evaluation and follow-up of these proposals in order to ensure that the goals were achieved. Cuba expressed its agreement with paragraph 4 of the message from the Director-General, to the effect that decent work was based on the principle that the creation of jobs was the essential starting point for progress on rights at work, social protection and social dialogue. Furthermore, employment generation had been highlighted as the top priority for developing countries so it seemed illogical to propose a reduction of resources for Strategic Objective No. 2. She joined previous speakers in requesting that these cuts be reinstated.

90. Activities under Strategic Objective No. 1 should give priority to programmes to eliminate child labour and to promote the dissemination of the Declaration on Fundamental Principles and Rights at Work. Care should be taken to ensure that work on labour standards not included in the four groups of principles was not overlooked, because they too were extremely important in the concept of decent work. The Working Party on the Revision of Standards had identified 70 Conventions that continued to be relevant and a number of others that it proposed for revision and updating. This standard-setting work was crucial for achieving the four strategic objectives and the importance of technical assistance in the field of international labour standards should not be forgotten. Similarly, Strategic Objective No. 3 to enhance the coverage and effectiveness of social protection was extremely important for developing countries and she expressed support for the strategy described in paragraph 110 concerning public social security systems. It was gratifying to see gender mainstreaming included in activities for employment creation but the need to ensure equality of opportunity for men and women needed to be highlighted.

91. She expressed support for the Director-General's proposals for 2002-03 which were prepared on a zero real growth basis. However, she saw with concern that they included an increase of about 1.5 per cent to cover cost increases. It seemed unfair that smaller member States would be expected to bear a part of this increase, especially since many of them were already facing an increase in their contributions for 2002-03 because of changes in the scale of assessments.

92. The representative of the Government of Ethiopia associated herself fully with the statement made by the representative of Algeria on behalf of the African group. Since the introduction of the concept of strategic budgeting in the programme and budget proposals for 2001 there had been several improvements in the formulation of operational objectives, targets and indicators. The reduced number of operational objectives and targets for 2002-03 and the reformulation of targets and indicators for service and support activities were a clear manifestation of these improvements. As the Director-General had mentioned on several occasions the ILO was still in a learning phase and the process would be further refined in future biennia.

93. In a globalized world economy where the majority of people were suffering from unemployment, social exclusion, poverty and communicable diseases, including, inter alia, HIV/AIDS, tuberculosis and malaria, the idea of decent work across the four strategic objectives was critically important. Despite the efforts made by developing countries, particularly the least developed ones, to formulate appropriate policies, the economic disparities and inequalities among countries and within them continued to increase. Various initiatives were being taken by financial and other international organizations but so far there were few benefits. The concept of decent work should help by creating employment opportunities, by designing social security systems and by establishing social dialogue among ILO constituents. The ILO, in collaboration with governments and other international organizations, should strive to find the necessary resources to do this at national level.

94. The budget proposals for 2002-03 should be reviewed to create a better balance between the needs and priorities of ILO constituents. As mentioned in paragraph 25, additional resources allocated to standards and fundamental principles amounted to $5.2 million, while employment-related activities were reduced by $6.2 million. The creation of employment opportunities, the promotion of policies to enhance the knowledge and skills of people, and the improvement of the livelihoods of people through microfinance and self-employment was a good basis for the implementation of ILO standards and principles. Ethiopia therefore gave the highest priority to Strategic Objective No. 2 and urged the Office to restore the cuts proposed under this objective. It also attached great importance to Strategic Objective No. 3 dealing with social protection and it welcomed the proposal to expand programme activities on HIV/AIDS. She concluded by making a special plea for more resources for the African region. Four-fifths of the less-developed countries were in Africa, which was home to more than 25 million people affected by HIV/AIDS. It suffered frequently from man-made and natural disasters and urgently needed the benefit of ILO expertise and activities.

95. The representative of the Government of Canada expressed full support for the statement made on behalf of the IMEC countries and agreed also with other speakers who had expressed appreciation for the Office document. In common with several other member States Canada shared a commitment to the principle of zero nominal growth throughout the United Nations system, and therefore requested that programme cost increases be met by savings and budgetary efficiencies elsewhere. As mentioned earlier in the discussion, it was possible that when the final budget level was fixed during the Conference it could be lower than that predicted in the Office document or lower even than that for the present biennium. This did not, however, alter the commitment to zero nominal growth budgeting, nor the view that across-the-board percentage increases were unacceptable. The programme and budget document should contain all the necessary information for the Committee to take decisions that would optimize the use of budgetary resources to meet mutually agreed objectives and priorities, including details of extra-budgetary resources already committed and those to be sought from potential donors. The document should also include plans for budgetary expenditure in such important areas as information technology, rather than approve them subject to uncertain funding. Only by having all this information included in a single comprehensive document would those concerned be in the best position to make informed decisions on budgetary resources and priorities. In conclusion, he welcomed the new document as an important and fundamental step in an ongoing process which included as well the development of appropriate follow-up through effective assessment and evaluation.

96. The representative of the Government of Portugal agreed fully with the statement made on behalf of the IMEC group. In general, Portugal also supported the Programme and Budget proposals for 2002-03 and considered that this user-friendly document represented a step forward in the Organization's programming and strategic budgeting. In addition, Portugal supported the major strategic orientations put forward by the Director-General and his team. The speaker welcomed the integration of the regular budget and extra-budgetary resources, whose relative share was increasing. This provided an overall picture of the programme. It was essential to strengthen the Office's analytical capacity and intellectual critical mass if the ILO were to play a leading role in the labour and employment sphere in the context of globalization. The Portuguese delegation welcomed the intention to ensure cohesion and synergy among the different departments and regional offices around the decent work concept, although it did have some reservations as regards the proposed implementation. It also welcomed the introduction of the programme on HIV/AIDS in the workplace, but pointed out that there were certain matters of concern, for example the drastic cut in the SafeWork programme.

97. Lastly, concerning the total volume of the budget, while the Portuguese Government adhered to the principle of zero nominal growth for all of the international organizations, in the case of the ILO's budget for 2002-03 it would be prepared to follow a proposal for zero real growth if it obtained majority support.

98. The representative of the Government of the United Kingdom observed that the budget document was proposing a zero real growth budget. However, in normal circumstances cost increases should be absorbed through targeted efficiency savings and his starting point would therefore be a budget level based on zero nominal growth. The Director-General and his staff were to be commended for their work in introducing results-based budgeting and human resource management reform and the benefits of this work were already being seen. But the ILO was not yet at the point where no further efficiency savings were possible and there was insufficient argumentation in the Office paper to justify anything other than zero nominal growth. In other words, all activities regarded as important, as well as long-term capital expenditure on items such as information technology, should be funded from within the existing financial envelope. One indication of the ILO's capacity to do this was the considerable amount of new expenditure that it was able to fund during the current biennium from savings within Part I of the budget.

99. A second point concerned extra-budgetary funds, on which many concerns had been expressed during the course of discussion. The United Kingdom was currently considering extra-budgetary funding to the ILO of about £15 million over the next four years, to be used to strengthen the ILO's policy and programme capabilities to address poverty alleviation. It had done everything possible within its own financial rules to ensure predictability of funding, and had made every effort to ensure also that the work it intended to fund would conform to the priorities and objectives set out by the Governing Body on a tripartite basis. Indeed, the ILO should not accept funding that did not meet these criteria.

100. In the discussion so far the spokespersons for the Employers and the regional groups and indeed almost every individual speaker had expressed their concern about cuts to the employment budget. As the Director-General made clear in his budget document, without jobs the other strategic objectives of the Organization could not be realized. Admittedly, UNDP had cut its funding but that did not mean that the ILO employment budget should be cut. Funds should be allocated according to priorities. Of course it would be interesting to know more about what the employment sector programmes were actually achieving and intended to achieve in terms of value for money. But that was a separate issue and would be discussed in another committee at the present Governing Body session.

101. The representative of the Government of Slovakia expressed appreciation for the document containing the Programme and Budget proposals for 2002-03 and endorsed the statement made earlier on behalf of the IMEC group. The consolidation of the concept of decent work across the four strategic objectives was a useful approach, especially in the context of a rapidly changing global economy as mentioned in paragraph 4 of the message from the Director-General. The establishment of individual teams in the regions was a logical development and it would be interesting to have information on their achievements in due course.

102. Mr. Blondel, replying to certain speakers, first of all pointed out that the Workers' group had spoken out a great deal in favour of real growth and thanked the Governments that had supported this approach. In reply to Mr. Marshall, he remarked that in his view the ILO could not be placed on the same footing as an ordinary enterprise. In the case of training, for example, the training of ILO officials seemed to him to be lower in priority than that which it should help to provide in the world of work. The ILO was an international organization and could not be compared to structures such as the OECD, whose studies covered countries that were economically much more developed than others. These countries found the introduction of export processing zones, for example, perfectly justified, whereas, for the workers in a globalized world, such zones jeopardized job creation and small-scale commerce and industry. The ILO, on the other hand, had to take account of the interests of the world of work as a whole, both in industrialized and in developing countries. Lastly, he refuted the idea of a conflict between international labour standards and employment. The two strategic sectors could not be dissociated, and any attempt to place them in opposition to each other was utterly artificial. On the contrary, both had to be encouraged.

103. Mr. Marshall said that the Employers wished to make one or two comments in reply to points raised during the course of the discussion. There was no doubt that the strategic budgeting approach now in place in the ILO was having a profound effect on the way budgetary proposals were discussed. The process would continue to evolve in the years ahead but the Employers believed that in the fullness of time budget discussions would become much easier as a result. From the discussion so far it appeared there was a majority of Governments in favour of zero nominal growth and the Employers were prepared to accept this majority view. Obviously, in these circumstances, it would be ideal if cost increases could be absorbed by efficiencies elsewhere in the ILO but if this proved to be impossible then Members all needed to accept that programme cuts would be necessary. The Employers warned that continued application of the zero nominal growth regime could not last indefinitely and it was time for the ILO to start thinking about a complete reorganization of the regular budget to ensure that in future it could carry out core activities without the risk of uncertain funding from other sources.

104. The Committee then proceeded to a more detailed discussion of individual budget topics.

Detailed discussion

Strategic Objective No. 1

105. Referring to Strategic Objective No. 1, Mr. Blondel recalled that standards had always represented the backbone of the Organization. He welcomed the fact that for the first time expenditure for technical cooperation in the area of standards and fundamental principles and rights at work exceeded that incurred in other sectors and that rights at work had regained pride of place within the ILO.

106. As regards operational objective 1a, the Worker members wished to remind the Governing Body that, although certain standards were regarded as fundamental, all standards were important in so far as they guaranteed the rights and protection of men and women workers. The target might have been more far-reaching, however; within the next three years, the number of ratifying States should exceed that forecast in the document. Referring to paragraph 48, the Workers held the view that the follow-up process should highlight not only success stories but also instances where member States refused to cooperate with the Organization. In that connection, the Workers would like the Office to investigate whether States which refused to submit reports, for example, were also those which procrastinated in paying their dues.

107. Referring to operational objective 1b regarding child labour, Mr. Blondel asked whether the Office could clarify the link between activities conducted under the US$25.9 million regular budget and those carried out within the context of technical cooperation, which came to US$60 million. He insisted that efforts be directed at eliminating child labour in general and not merely the worst forms of child labour. More specifically, the Workers considered that indicator 1b.1 could be strengthened and a more targeted strategy adopted for indicator 1b.2. Regarding indicator 1b.3, Mr Blondel would have liked to have more detailed information on the 12 national time-bound programmes, adding that the Workers had pressed for a participatory rather than a mere advisory role in the process. The Workers emphasized, moreover, that neither the revision of standards nor examination of the future of the standard-setting system should prejudice the promotion of existing standards. Mr. Blondel endorsed indicator 1c and paragraphs 58 and 59.

108. With reference to indicator 1c.2, it would be preferable to process all reports reaching the Office for submission to the Committee of Experts. Workers' and employers' organizations should also be invited to submit reports within the framework of the regular supervisory process.

109. Mr. Marshall, on behalf of the Employer members, said that as mentioned in paragraph 37 it was important to achieve a balance in respect of labour market flexibility and decent working conditions. National social policies were important, and this was one of the reasons the Employers supported the continued development of the International Policy Group as a body capable of producing sound research and discussion documents on policy options such as those mentioned. These documents should be available for Governing Body consideration and for policy adoption. The Employers strongly supported the drive for an integrated approach to standard setting, as described in paragraphs 38 and 39, but it should also encompass all means of action at the ILO's disposal. They endorsed also the concept of addressing Convention ratification challenges identified by expert-advisers, as mentioned in paragraph 45, but this should include also those which were identified by constituents. This work would not only call for technical cooperation prior to ratification but in some cases might require examination of the Conventions themselves to ensure continued relevance in their application. Operational objective 1(a) was aimed at giving effect to the principles and rights concerning freedom of association, collective bargaining, elimination of forced labour, child labour and discrimination. Ratification of fundamental Conventions might be an accepted priority, but it was debatable whether achieving a simple number of ratifications would automatically progress the objective. In many cases the principles were respected without actual ratification of Conventions.

110. Activities to promote the Declaration effectively had to be developed in consultation with constituents, and should remain true to the promotional spirit and content of the Declaration. The Employers were concerned about initiatives to be taken in the absence of full commitment by the social partners. Indicator 1a.3 was typical of many throughout the document where a mere number was given as an indicator, and in future a short explanatory text should be given as well. In paragraph 51 and elsewhere it was stated that the ILO would work in partnership with external resource centres with relevant expertise. There was some merit in this approach but further information would be welcome about the role of the social partners in these consultations.

111. The strategies described in paragraphs 53-55 should be carried out in parallel for best results, particularly to prevent entry of children into labour and the provision of alternative sources of household income. Measuring results would be difficult and the alternatives described in paragraph 55 were quite practical. In paragraph 56 the word "independence" should be added after "transparency" on the second line as suggested by the Workers, and the Employers fully agreed that activities concerning forced labour could benefit from extra-budgetary funding. This type of funding might be forthcoming for a number of activities important to both the ILO and the donor, but perhaps it was unwise to highlight a single non-fundamental Convention, such as Convention No. 169, for special attention. The Employers confirmed their support for a comprehensive review of standards and related activities as mentioned in paragraph 58, and for using an integrated approach in all ILO activities, not just in respect of standards. In indicator 1c.2 the Office could be prevented from achieving this objective simply by the late receipt of reports, and this target should be reviewed because the Office should be accountable only in respect of reports received on time. Paragraph 62 placed a heavy responsibility on governments. Technical cooperation support might be appropriate in some cases but this should be considered against the LILS review on compliance requirements.

112. The representative of the Government of Germany wished to comment on operational objective 1c dealing with the use of standards. It was perhaps even more important than the campaign for ratification for the Office to be in a position to deal with reports quickly when received on time so that the Committee of Experts could decide whether or not governments which had ratified a Convention were in fact fulfilling their obligations. Of course it was desirable to have a large number of ratifications and even better if governments fulfilled their reporting responsibilities, but it was of little use if the Office had no capacity to prepare them for the Committee of Experts. Standards-related activities were a core function for the Office and should be given proper resources. On a related matter, the Office deserved to be commended for the early issue of the report of the Committee of Experts for this year's Conference.

113. With reference to the issue of child labour and indicator 1b.4, the representative of the Government of France expressed some misgivings about the figure of 1 million children targeted to benefit directly from ILO action. Indeed, the target for the previous biennium had been 260,000, and no more than half of those children had actually received ILO support. Would the level of human and material resources be sufficient to attain the present target? The figure of 1 million was nonetheless low compared with the 250 million children concerned, and he reiterated the need to join forces with other international organizations in order to achieve that objective. As regards SIMPOC, the real issue at stake was not to have the necessary statistics at hand but rather to acquire an insight into the mechanisms that led to child labour. A group of leading international figures should be convened to discuss this extremely complex issue.

114. The representative of the Government of Switzerland agreed with the comments of the Employers' representative and the representative of the Government of France on paragraph 53 and the target figure of 1 million children.

115. Regarding the Indigenous and Tribal Peoples Convention, 1989 (No. 169), quoted in paragraph 56 along with two fundamental Conventions, he explained that Switzerland was not in favour of establishing a linkage, the long-term objective of which might be to confer status as a fundamental Convention on this instrument. Convention No. 169 was admittedly very important, but it would be preferable to refer to it in a separate paragraph. Switzerland was opposed to action aimed at promoting this text specifically in Europe.

116. His country was in favour of the reform of standards being undertaken, which should involve an in-depth review not only of the relevance and effectiveness of standards but also of the supervisory machinery and other related matters. Switzerland would therefore like the paragraphs dealing with this issue to be worded in stronger terms.

117. The representative of the Government of the United Kingdom was satisfied in general with the operational objectives in this section but wondered whether the 20 member States referred to in sections 1a.2 and 1a.3 included the ten referred to in the report on programme implementation in 2000. Similarly, did the word "additional" under indicators 1b.1, 1b.2 and 1b.3 relate to the original target or the position at the beginning of the biennium? Indicator 1c.1 no longer included reference to a review of standard-setting policy, a subject to which the United Kingdom attached great importance. He agreed with the Employers' comment concerning indicator 1c.2 that the target should refer to reports received on time and under 1c.3 that the target should refer to the number of reports outstanding after 12 months rather than averaging the time for processing. Under indicators 1c.5 and 1c.6. the Office should perhaps define the targets more precisely but in any case should ensure that the Committee of Experts maintained a consistent approach in dealing with individual cases.

118. The representative of the Government of New Zealand was concerned that there was no mention anywhere in the document to constituent feedback on the quality or timeliness of the ILO's work as a measure of performance. This would be a useful indicator for the ILO and would supplement the others already outlined in the programme and budget document.

119. The representative of the Government of Portugal recalled that, at the Governing Body session devoted to the Programme and Budget for 2000-01, his delegation had raised the question of the relevance of indicators, particularly with respect to fundamental rights at work and the elimination of child labour. This time the Portuguese delegation wished to congratulate the Office and the International Labour Standards Department on their efforts in this field.

120. The representative of the Government of Algeria reiterated the position of the African group regarding the need to establish a correlation between the four strategic objectives – more specifically between employment, on the one hand, and the promotion and implementation of standards and fundamental principles and rights at work, on the other. It was not a matter of reviewing the budgetary allocation for the latter or of denying the vital importance of international labour standards, but of underscoring the importance and priority to be accorded to employment. These two strategic objectives should be marked by synergy and complementarity.

121. The African group agreed with the Employers' representative that it was preferable to avoid prioritizing objectives according to the order in which they were presented in the document. The group wished to be informed of the distribution of the sector's expenditure by region and would welcome preferential treatment for countries having ratified the Conventions. Convention No. 169 should be widely promoted with a view to achieving the economic and social reintegration of indigenous and tribal peoples. Lastly, the representative of the Government of Algeria argued in favour of strengthening technical cooperation in activities pertaining to the supervisory process and of simplifying procedures.

122. The representative of the Government of the United States expressed full support for the programme of work under this strategic objective but in some areas, especially indicators 1b.1, 1b.2 and 1b.4, there were no baselines to start from so it was difficult to assess whether or not a target was reasonable. As the Employers had remarked, the use of qualitative language, for example, the word "benefit" under indicator 1b.4, could complicate the measurement process unless it was more precisely defined. Under indicator 1c.6 it was doubtful whether the action proposed would be effective. The indicator referred to cases of progress cited by the Committee of Experts and the target was 40 cases of satisfaction and 200 cases of interest. Publicizing progress might be beneficial but did not deal specifically with the target and indicator described in the document. Perhaps another target or indicator should be included, possibly as part of ILO communications strategy. There could also be others for the distribution of information, especially where there were proposals for strategy that did not relate directly to targets and indicators.

123. The representative of the Government of Brazil expressed full support for the operational objectives under this section, but suggested that the word "advice" in the last sentence of paragraph 52 be replaced by the word "participation". He agreed also with the addition of the word "independence" in the first sentence of paragraph 56 as suggested by the Workers and Employers, and expressed strong endorsement for the action strategy proposed in paragraph 58.

124. In Mr. Blondel's view, there was an almost natural order of priority among the various indicators, which he did not want to disrupt, and he considered the Office's presentation most satisfactory. Regarding Convention No. 169, he recalled that the issue of indigenous and tribal peoples had already been discussed, and it appeared unnecessary to reopen the debate. Referring back to the question of child labour, he was surprised that some Governments wondered how the target of 1 million children could be achieved. In view of current practices in certain countries, he considered that posing the question was already a step towards finding the answer.

125. The representative of the Government of Mexico strongly supported the action proposed under this strategic objective. Mexico had already ratified six of the eight basic

Conventions and it would be interesting to know the situation in other countries, especially those most vocal in their demands that standards be observed. Paragraph 46 stated that the ILO would concentrate its efforts on those States where ratifications were not in place but were most feasible. It would be useful to know who selected these States and what criteria were used in the decision. The Global Reports under the Declaration referred to in paragraph 63 should be promotional in nature and for that reason should not be considered together with ILO core Conventions. Mexico had also ratified Convention No. 169 on indigenous and tribal peoples and would be submitting a report later in the year, but she expressed support for the statement by the representative of the Government of Switzerland that this Convention should be kept separate from the core Conventions.

126. A representative of the Director-General (the Executive Director for Standards and Fundamental Principles and Rights at Work) noted that nine of the member States which had lost the right to vote had not sent annual reports under the Declaration follow-up. There seemed to be a correlation between countries not sending in reports and not paying their membership dues. A document presented to the LILS Committee indicated that 17 member States had practically ceased to participate in the reporting system.

127. He proceeded to reply to points raised concerning each objective, indicator and target. Regarding indicator 1a.1, there were now 41 member States which had ratified all eight fundamental Conventions, and the target of 87 would more than double this figure. One hundred and four member States had now ratified at least one Convention in each category, and in this light the target of 135 could indeed be higher. In any event, the efforts to promote ratification would in no way be slowed once the target was achieved. Answering the question of the representative of the Government of Mexico, he noted that the Office made special efforts to assist where there were requests, either directly or to standards specialists in the multidisciplinary teams, and where there were indications that ratification was feasible.

128. The reply to the question by the representative of the Government of the United Kingdom concerning indicators 1a.2 and 1a.3 was that the 20 countries mentioned there were additional ones. The report on programme implementation in 2000 (GB.280/PFA/6) showed that gender-sensitive declaration programmes had commenced in two countries. The total of countries with which concrete preparations were under way was over 30.

129. Addressing the concerns expressed by the Workers' spokesperson, he underlined that as shown in indicator 1b.1, the Office considered Conventions No. 138 on minimum age and No. 182 on the worst forms of child labour together. The development of ratifications had shown that the focus had not exclusively been on Convention No. 182. In fact, a number of countries had ratified both of them in 2000, and it could be said that Convention No. 182 had, in fact, encouraged and not discouraged ratifications of Convention No. 138. The minimum age Convention had six years ago only half of the ratifications it had at present, and the target of 65 additional member States would bring it to the same level of ratification as the other fundamental Conventions. The ultimate target for Convention No. 182 was, of course, universal ratification.

130. The Office was still negotiating with a number of countries the introduction of time-bound programmes for the elimination of the worst forms of child labour, but it was not yet possible to announce agreements with countries other than those already indicated in the report on programme implementation in 2000.

131. As to the target figure of 1 million children in indicator 1b.4, he felt confident that when reporting on results the figure would be much higher. The results would depend on the efficiency, and commitment of all partners, of implementing the time-bound programmes. The figure covered children who were directly withdrawn and placed in alternative activities and also those who were prevented from entering the labour market in violation of minimum standards. The figure of those directly removed would be easier to establish but they would necessarily be rather small compared with the number of potential victims of child labour who would get educational or other viable alternative services. To give one example, in a project on preventing child labour in football manufacturing, the number of children actually removed from work might be some dozens whereas the number of children who were likely to end working if the alternative opportunities were not there was in the thousands.

132. The methodology for measuring the impact of programmes would be developed further. As to the observation by the representative of the Government of France on understanding the mechanisms leading into child labour, he referred to the global report under the Declaration follow-up for 2002, which would give a comprehensive view on child labour.

133. Under operative objective 1c, Convention No. 169 on indigenous and tribal peoples had been mentioned because there were requests to assist in its promotion and there was interest by donors. There was no question of treating it as a fundamental Convention. The description of the strategy referred to under indicator 1c.1 took into consideration the fact that this was work in progress, and the whole Governing Body was involved in this exercise.

134. Addressing the points raised on indicator 1c.2 by the Employers' spokesperson and some Government representatives, he said that the indicator should perhaps refer only to reports which were received on time. However, the Office made an effort to process as many of the reports received as possible for the Committee of Experts. This facilitated a more timely discussion of issues and helped to prevent backlogs. A number of reports arrived late, and sometimes it was not possible to have everything that needed translating in time. However, it was to be noted – as expressed in a document presented to the LILS Committee – that there the constraints arising from the workload on the governments, the social partners, and the Office as well, had to be discussed.

135. Regarding indicator 1c.3, complaints received by the Committee on Freedom of Association were on the average examined for the first time within 11 months. The maximum time was 15-16 months. If the case had to be postponed three times due to a lack of response from the government, then the Committee would examine it without the government's input. The number of cases where the first examination was later than 12 months was relatively small, between 10 and 15 per cent.

136. As to the concerns expressed by the representative of the Government of Germany on indicators 1c.5 and 1c.6, he expressed his firm conviction that the Committee of Experts would not engage in any manipulation of its evaluations of progress for the sake of improving performance as measured by the targets, and the Office certainly would not try to induce the Experts to do so.

137. Referring to the target concerning the examination of complaints, which required that the first examination take place within 12 months of receipt of a complaint, Mr. Blondel welcomed such an initiative, which did not imply that the problem at issue would be settled within one year. The obligation was to examine the complaint within 12 months following its receipt, which should prompt Governments to reply swiftly, because past that deadline the complaint would be examined without taking government statements into account.

138. Replying to Mr. Marshall on the subject of Convention No. 169, he recalled that the ILO's role was to ensure promotion of that instrument as well as the other Conventions.

Strategic Objective No. 2

139. Mr. Marshall, speaking on behalf of the Employer members, reminded the Committee of the critical importance of the ILO's work in the area of employment, which was indeed at the heart of the Decent Work Agenda. He was somewhat disappointed however that the document under discussion did not bring out sufficiently the policy and other barriers to employment creation and business start-ups, and called upon the Office to undertake more specific activities in this area. He also expected the Office to play an important role in the UN Secretary-General's Global Compact Initiative.

140. While supporting the proposed activities in the area of small enterprise development, he was concerned that they did not pay sufficient attention to enterprise needs, and recommended that the Start and Improve Your Business Programme should be used more extensively and adapted for wider use. In reference to paragraph 74, he expressed his group's concern that a balance be maintained between promotion of the Declaration, job quality, social security, safety and health, gender and family concerns, and the practical needs of the workplace and employer. He again emphasized the importance of human resource development and was surprised that apparently this area of work was now considered less important by some ILO officials. He would also expect the Office to work closely with the Turin Centre in this area.

141. Concerning the InFocus Programme on Crisis Response and Reconstruction he felt that it should not unduly emphasize employment-intensive investment but rather focus on skills development so that people could become self-reliant. Repeating his disappointment in the proposed reduction of resources for the sector, he could not accept that the expected reduction in extra-budgetary resources should result automatically in a reduction of the regular budget allocation.

142. Mr. Blondel started by recalling some of the Employment Sector objectives which the Workers' group regarded as important and which had constituted the focus of the group's examination of the document. They included macroeconomic issues and links between monetary, tax and industrial policies, on the one hand, and labour market performance, on the other; increased technical support for trade unions in developing countries; support for labour-intensive infrastructure projects; the promotion of cooperatives; the promotion of activities relating to multinational enterprises; and the strengthening of activities to promote codes of conduct and voluntary private sector initiatives. The Workers noted that the Office was proposing to reduce regular budget resources for the Employment Sector by 3.9 per cent, primarily as a result of the decline in extra-budgetary funding under the UNDP. Admittedly, this particular sector would still be receiving the largest share of the regular budget, i.e. 26 per cent, versus 20.5 per cent for the Social Dialogue Sector, 16.6 per cent for the Standards, Fundamental Principles and Rights at Work Sector, and 12.3 per cent for the Social Protection Sector. The Workers nevertheless expressed a few reservations regarding the manner in which reductions were being distributed within the Employment Sector. The most significant reductions concerned Multinational Enterprises and Management and Corporate Citizenship. The Workers' group had always regarded MULTI as a crucial sector, and it still attached great importance to its activities. Regarding Management and Corporate Citizenship, it would be useful if the Office could provide more specific details on the activities planned in this area. Ways should be sought to help workers and trade unions set up more effective voluntary initiatives.

143. The Workers were extremely concerned about the 4.8 per cent reduction in the budget for Employment Strategy, which had already suffered major cutbacks in recent years. On several occasions already, the Workers' group had requested an increase in regular budget resources for labour-intensive infrastructure projects. It welcomed the fact that activities in this field now encompassed the promotion of standards and sometimes also included social dialogue; these were outstanding examples of ILO know-how, and their funding should be restored to early-1990s levels. With reference to Cooperatives, the Workers deplored the reduction of five work-years planned for 2002-03, which might have serious consequences in view of the fact that insufficient resources had been allocated to that Unit.

144. On another plane, the Workers also pointed out that, in the Employment Sector, US$5 million were being allocated to the Executive Director's Office and Common Services, whereas US$3 million were due to go to the other sectors. The Workers supported the promotional activities under the Declaration on Fundamental Principles and Rights at Work as the minimum social floor, the creation of new databases provided for in paragraph 79, and the activities proposed under the *World Employment Report* (paragraph 81). On the other hand, they regretted that the scope of the target under operational objective 2a.2 had been restricted to six member States.

145. With reference to paragraph 101 dealing with the Jobs for Africa Programme, Mr. Blondel pointed out that certain statements, such as that made by the IMF, could lead to a significant drop in employment in the public sector. Those who had lost their jobs sometimes received financial benefits, but what they really needed was help in re-entering the labour market, for instance through group-based investment, cooperative or micro-enterprise initiatives. Mr. Blondel concluded by saying that he deplored the decline in expertise in macroeconomics within the Office.

146. The representative of the Government of Malaysia expressed serious concern over the proposed reduction of resources for ILO's work in the area of employment. He expressed support for the proposed activities, particularly the key indicators of the labour market programme and the skills development programme, and emphasized that the latter should take into account the conclusions of the Committee on Human Resource Development adopted by the 88th Session of the International Labour Conference.

147. The representative of the Government of New Zealand observed that the employment operational objectives usually focused on what the constituents were able to do to use ILO resources and advice in order to respond to the employment issues they faced. However, at least one of the employment operational objectives should focus on increasing the ILO's own capability in the employment area, for three reasons: first, the reduction of resources for Strategic Objective No. 2; second, employment creation was a fundamental objective within the Decent Work Agenda; and third, the ILO had stated, as part of its own reform programme, that it intended to promote itself as a centre of excellence on labour market issues.

148. The representative of the Government of Germany also regretted the proposed reduction of resources under Strategic Objective No. 2 and asked the Office to consider a possible adjustment. He asked for clarification on resources proposed for the Executive Director's office, especially since as a percentage of the total budget under this strategic objective it was much higher than for the others, and he joined previous speakers who, during the general discussion, had expressed regret that this strategic objective did not include any reference to the Social Finance Programme. As a concluding comment he was happy to see that the Office was strengthening its cooperation with UNESCO in the area of technical and vocational education.

149. The representative of the Government of the United Kingdom also asked the Director-General to reconsider the cuts proposed in this area, given the priority of employment as a strategic objective. She was looking forward to more information on the ILO's comprehensive employment framework as described in paragraph 69, and given the proposed work on data bases it was important for the Office to update its information technology systems so that constituents could easily access and use best practice from around the world. She also asked for clarification on who was accountable for the achievement of the operational objectives and targets particularly the division of responsibility between headquarters and the field. As a final point she supported comments from earlier speakers that it was important to take the Conference conclusions on human resource development into account for work in the area of skills development.

150. The representative of the Government of Switzerland endorsed the comment made by the representative of the United Kingdom regarding the Office's capacity for economic analysis. Switzerland unreservedly supported Strategic Objective No. 2 as set out in the document. Additional resources should, however, be made available for activities relating to corporate social responsibility, corporate citizenship and multinational enterprises. The Office needed to enhance its knowledge base and step up cooperation, in particular within the framework of the United Nations Global Compact. This would meet not only the wishes of the Swiss delegation but also those of the country's enterprises, which hoped that the Organization would expand its activities in that field. The representative of Switzerland requested that measures be taken to put an end to the drastic cuts affecting these sectors.

151. Referring to paragraph 82, he pointed out that the individual country employment policy reviews frequently overlapped with studies carried out by the OECD and sometimes the WTO. This should be avoided, with efforts focusing on countries that had not yet been covered. Lastly, Switzerland requested that the WTO be added to the institutions listed in paragraph 83.

152. The representative of the Government of Japan agreed that employment was the core of the ILO's work particularly given its importance in the context of poverty alleviation, and joined previous speakers who asked for more resources to be devoted to this area.

153. The representative of the Government of Portugal stressed the importance of this strategic objective, which lay at the heart of the ILO's mandate, and voiced concern about the financial cutbacks imposed on it. The promotion of employment and employability went hand in hand with the promotion of the concept of decent work. Portugal therefore commended the introduction of operational objective 2a, but shared the concerns expressed by the representatives of the United Kingdom and Switzerland concerning the Office's analytical critical mass.

154. The Portuguese delegation felt that it should be possible further to improve the balance between objectives, indicators and targets. Indeed, indicator 2a.2 was satisfactory, but the target figure of six member States over a two-year period appeared rather low. The problem resided either in the fact that there was little demand on the part of the constituents or in the Office's reduced capacity to offer services as a result of financial cutbacks. The matter should be given closer consideration. Indicator 2c.2 concerned only employment-intensive investment programmes, whereas the corresponding InFocus programme took a cross-cutting approach spanning employability, employment, micro-enterprise issues and income-generating activities. A closer link needed to be established between the InFocus programme and indicator 2c.2.

155. The representative of the Government of Mexico was glad to see the initiative for a comprehensive framework since it responded to a demand made by the Group of 15. She asked to be provided with more information on planned activities in the area of private voluntary initiatives. Promoting the social responsibility of enterprises was part of the new labour culture in Mexico.

156. The representative of the Government of the United States supported the views expressed by other delegates on the need to increase the Office capacity for macroeconomic analysis. Overlap between constituents and institutions on the methodology used to determine targets and indicators was a matter for concern and it would be useful to have clarification on the Office's approach. Regarding paragraph 84 she requested information on the type of work the Office was undertaking with funding from UNFPA.

157. The representative of the Government of Algeria, taking the floor on behalf of the group of African countries, emphasized the significant drop in resources earmarked for employment. The group of African countries had made certain observations concerning first of all the question of cooperatives which it would like to see incorporated into the budgetary provisions. He thanked the Office for having placed this item on the agenda of the International Labour Conference and hoped that following that examination legal mechanisms relating to cooperatives would be put into place. Given the importance of microfinance in the struggle against poverty and the creation of employment in Africa, the African group would like to see that programme in the budget. Furthermore, he pointed out that the "social finance" programme was included neither in the budgetary tables nor in the organization chart.

158. The speaker requested further information on the progress of the International Programme on More and Better Jobs for Women. He was pleased to see that the programme "Jobs for Africa" was contained in the programme and budget proposals; the necessary resources should be allocated to this programme which should help countries to draw up effective employment promotion policies.

159. The representative of the Government of France requested information concerning the objective of the InFocus Programme on Boosting Employment through Small Enterprise Development (indicator 2c.1). If the aim was to create jobs through small enterprise and cooperative development, that would constitute a very ambitious objective for which it would be good to collaborate with the Bretton Woods institutions, given that it was also their vocation. The same went for the microcredit referred to by previous speakers.

160. With regard to enterprise creation, the speaker raised the question of enterprise creation by jobseekers. Eight countries, including France, had set up a network which operated according to tripartite principles and which had made it possible to establish 20,000 enterprises in one year. Tripartism could play an important role in the training of enterprise creators, and in providing support for their projects and partnership during the early years; the ILO should look into this question.

161. The representative of the Government of India expressed his concern for the sharp decrease in the combined regular and extra-budgetary allocation for employment in the proposals under discussion and requested the Office to reallocate funds to reverse this trend. He called upon the Office to strengthen its work on poverty alleviation and felt that the comprehensive employment framework could play an important role in this respect.

162. The representative of the Government of Namibia supported the call from the representative of the Government of Algeria to strengthen ILO work in the area of cooperative development. With respect to the InFocus Programme on Crisis Response and Reconstruction and Jobs for Africa, he felt that it was important to distinguish between different crisis situations and that individual approaches needed to be developed depending on the type of crisis.

163. The representative of the Government of Benin supported the statement made by the spokesperson for the group of African countries and asked the Office to intensify the struggle against poverty in Africa in general. More specifically, he requested the strengthening of the InFocus Programme on Crisis Response and Reconstruction which could cover more than the 15 countries planned.

164. The representative of the Government of Sudan supported the calls for an increase of the allocation for resources in the area of employment, and expressed the hope that in future proposals indicators and targets would be presented in their larger context so that it would be easier to evaluate the true impact of the ILO's work.

165. The representative of the Government of the Islamic Republic of Iran was concerned to see that resources for Strategic Objective No. 2 for the next biennium had been decreased. Employment creation was a top priority for the ILO and it was important that indicators and targets were fixed in such a way that progress towards operational objectives, especially operational objective 2c dealing with employment creation, could be properly identified and measured. Fixing a particular number of countries as a target could be confusing because it would not take into account the individual circumstances of each country. If the measurement of progress towards these targets proved too difficult it might be necessary to consider whether some other benchmark might be more appropriate.

166. A representative of the Director-General (the Executive Director of the Employment Sector) explained that the real challenge and niche for the ILO was to reconcile employment creation and job quality, building on the whole body of ILO principles and values as expressed in international labour standards. In this respect it was important to look at the needs of workers as well as the needs of employers and at the workplace. He pointed out that paragraphs 69.2 and 93 and 94 already provided some information in this respect.

167. Concerning the calls to strengthen the capacity of the Office to undertake macroeconomic analysis, he reminded the Committee that, as pointed out earlier by the Director-General, the employment sector cooperated with a number of programmes such as the International Policy Group, the Institute and the Decent Work Pilot Project to support its work on employment policy.

168. In reply to concerns expressed by Mr. Blondel, he explained that it was precisely the comprehensive employment framework which would try and ensure that all elements and issues affecting employment were taken into consideration including social security, safe work and social dialogue. The Employment and Social Policy Committee discussions would offer another opportunity to discuss this in more detail and he also planned to have direct consultations with constituents as the work on the comprehensive employment framework progressed. He pointed out that the employment sector was developing a number of databases and would work together with ACTRAV, ACTEMP and the MDTs to make this knowledge available to constituents.

169. Regarding indicators and targets, he explained that they had been established on the basis of experience during previous biennia, demands expressed by member States and budgetary constraints, although in the next round it would be useful to provide more context to the indicators and targets. He was glad to note the numerous references to the conclusions of the 2000 Conference concerning human resources development and reassured the Committee that these would be taken into account. He reminded the Committee that a separate paper on this subject was before the Employment and Social Policy Committee. He also confirmed that the Employment Sector was working closely with the Turin Centre and that in fact the Centre participated in the Sector's planning and implementation reviews.

170. Concerning the work in the area of private voluntary initiatives and multinational enterprises, he mentioned that the Office was working on clarifying the links between management principles and international labour standards and on supply chain management and corporate citizenship. The Office had also recently established a comprehensive database on business and social initiatives and would shortly be publishing a compendium on codes of conduct. Other tools and guidelines would be developed, including a training programme for managers and constituents around the labour principles of the Global Compact, which were in fact those of the ILO Declaration on Fundamental Principles and Rights at Work.

171. Concerning the allocation for support services in the sector, he pointed out that in the reorganization exercise for the current biennium support services in such areas as finance, personnel and documentation had been centralized and this had helped produce savings of some $1.3 million in the sector's overall budget. This experience had been most worthwhile and it was the intention in the next biennium to pursue the question of knowledge management for the sector as a whole, including databases on Conventions Nos. 122 and 124 and on discrimination and equal employment opportunities. As far as the decline in extra-budgetary resources was concerned, he hoped that the donor conference proposed by the Director-General could help reverse the trend.

172. He was glad to note the support for the sector's activities in the areas of cooperatives, microfinance and More and Better Jobs for Women. On Jobs for Africa and the InFocus Programme on Crisis Response and Reconstruction, he pointed out that in fact they were two separate programmes. Although Jobs for Africa had started as a UNDP-funded project it had now become the ILO's employment strategy for Africa. This was reflected by the considerable regular budget commitments to the programme and the close cooperation between the employment sector and the region. Efforts to mobilize additional extra-budgetary support were already bearing fruit with recent approvals by the Government of the Netherlands and the African Capacity Building Foundation. He further mentioned that the InFocus Programme on Crisis Response and Reconstruction had been highly successful in mobilizing the ILO capacity to provide a quick response to crisis situation, one example being the ILO response to the recent earthquake in India.

173. A representative of the Director-General (the Director of the Bureau of Programming and Management) explained that in addition to an allocation of $11.8 million for the Information Technology and Communications Programme all the sectors of the Office at headquarters and the regions had resources for computer staff and computer applications. On the issue of accountability he explained that the strategic objectives were by definition long-term goals. No strategy statements for their attainment had been prepared. The Office's work was organized concretely around the operational objectives. Although Executive Directors were accountable for the achievement of their respective objectives and targets, it was clear that they needed to work with the other sectors and, most importantly, with the regions for their achievement. This was clearly reflected in the mid-term programme implementation report discussed earlier. In reply to a question by The representative of the Government of the Netherlands, he explained that the structure of the Office had basically four levels: sectors, departments (or bureaux), branches, and sections. However, in programme and budget documents the term "programmes" was used. This term basically covered indiscriminately departments, bureaux and branches. The level of sections therefore did not figure in the programme and budget proposals. This explained why social finance, which had been mentioned by some delegates, was not mentioned explicitly.

174. The Director-General briefly returned to the issue of indicators and targets. He felt that the qualitative as well as the quantitative aspects of ILO work needed to be highlighted. Although quantity was indeed important, the Office should be concerned about quality as well. Indeed, a limited number of examples of the positive impact of ILO policy advice could be of great significance, particularly in the light of their potential multiplier effect. That was also why it was so important to strengthen the knowledge base of the institution. He reminded the Committee that considerable macroeconomic analysis was being undertaken by the International Policy Group but agreed that the Office's capacity in this area needed to be further strengthened.

Strategic Objective No. 3

175. Mr. Blondel recalled that improving social protection had been one of the ILO's principal concerns since its inception. It should, however, be noted that the resources earmarked for this sector represented half the amount allocated to the Employment Sector. It should not be forgotten that over 1 million people died each year as a result of occupational accidents and that the sum earmarked for the SafeWork programme had fallen from $8.4 to $7.6 million (a 10 per cent reduction) even though the programme had to respond to numerous requests by ILO constituents. Furthermore, it was likely that the programme would be responsible for the question of the recording and notification of occupational accidents and diseases placed on the agenda of the 2002 Conference, in accordance with the decision made by the Governing Body the previous November. It would certainly also have to contribute to the preparation of documents for the first general discussion of the integrated approach of standards-related activities in the area of occupational safety and health in 2003. This year the programme was involved in drawing up a new standard on safety and health in agriculture. Consequently, the proposed cut seemed particularly inopportune.

176. Concerning occupational safety and health, the speaker insisted on the need for collaboration among all ILO departments in order to achieve the major objectives and expressed his concern at the emergence of new medical conditions in the world of work, such as musculoskeletal disorders.

177. The intrusion of HIV/AIDS in the world of work was indisputable and the Workers wished to denounce the discrimination suffered by people infected with HIV. A combat strategy should be defined and the ILO should contribute to limiting, if not to halting, the spread of the virus and above all to eliminating the prejudices surrounding it. It was in that spirit that the Conference had the previous year adopted a resolution on this point. Furthermore, the ILO should take a stand in the current debate on the possibility for people with AIDS to have access to less expensive generic drugs. It was not a question of substituting the WHO, but of collaborating with it. The Workers therefore welcomed the creation of this new programme, although they thought that the resources allocated to it were vastly insufficient. In fact, the Office was running the risk, owing to a lack of funds, of finding itself unable to meet many demands coming from the most hard-hit countries in sub-Saharan Africa and also in Asia.

178. On the issue of social protection, it should be admitted that globalization often went hand in hand with exclusion. Rather than criticizing it, it was important to give globalization a human face – in a manner of speaking social justice should be globalized. The Workers supported the objective of extending social security systems to the greatest number of people. It was nevertheless important to ensure that the establishment of voluntary community-based schemes, or even of a global social solidarity trust fund, did not end up weakening the public systems instead of strengthening them. Furthermore, the Workers considered that social protection schemes were their domain and they had no intention of stepping aside for NGOs.

179. The Workers supported the strategies contained in indicators 3b.4 and 3b.5 relating to maternity and migrant workers. Migrant workers, who numbered almost 120 million according to Office figures, often suffered discrimination, but it should not be forgotten that internal migration occurred within countries and that this placed workers in very similar circumstances.

180. Moving to the question of the informal sector, the speaker stressed that it must be accorded priority status; the millions of people who made up the sector were often plunged into extreme poverty and destitution, particularly women and young workers. The growth of this sector, which had been considerable in many countries, was generating serious abuse. Informal sector workers needed the support of the trade union movement and of the ILO. They should receive training in international labour standards, and all active policies to favour social inclusion should be supported. Regarding paragraph 121 of the document, the speaker asked that the transport sector be added.

181. Lastly, on the subject of standards, the speaker noted that paragraph 118 referred to "soft" standards and asked whether these denoted substitutes or codes. There should be no mistake – the ILO was responsible for standards, and the Workers insisted on the use of the term "standard".

182. Mr. Marshall, speaking on behalf of the Employer members, said that from paragraph 102 it was clear that there were serious problems in the provision of social protection to certain groups such as migrant workers and those working in the informal sector. Strategic Objective No. 3, enhancing the coverage of social protection for all, might be a worthy ideal but it was doubtful whether it was achievable as a goal. In the social security field, for example, the question was whether traditional Western social security systems were affordable and whether coverage should be universal, especially with ageing populations. One was left with the impression, rightly or wrongly, that the ILO had not yet got to grips with these issues.

183. The Employers fully supported the strategy actions proposed in paragraph 110 concerning public and community-based schemes but private sector schemes should at least be considered as possible delivery tools as well. The Employers supported the action proposed in paragraph 111 but stressed that cooperation with other organizations in the community should be undertaken only after consultation with ILO constituents. The proposal for a Global Social Solidarity Trust Fund in paragraph 114 had far-reaching implications and should be put to the Governing Body before action was taken, especially since social security issues would be discussed by the Conference this year. The target under indicator 3a.3 should be reviewed, not only because this information would be generated as a matter of course in most countries around the world, but also because benchmarks should be closely related to outcomes. Under operational objective 3b on working conditions, indicator 3b.1 implied that there was some connection between a constituent's ratification of standards and its capacity for safety and health. The Employers had doubts whether the linkage was real. They opposed the promotion of the Maternity Protection Convention, 2000 (No. 183) and would like more information on the standards on working time referred to in indicator 3b.4.

184. The Employers questioned whether the ILO was the appropriate body to carry out research for policies related to "strategies for implementing trade liberalization and structural adjustments" referred to in paragraph 130, even though it might be well placed to provide advice on labour-related elements in that research. The work of the ILO under indicator 3b.6 concerning HIV/AIDS in the workplace deserved the strongest support and there should be close cooperation with other organizations dealing with HIV/AIDS in general, with ILO efforts targeted at the needs and priorities of constituents as described in the Conference resolution of June 2000. The Employers were concerned at the heavy reliance on extra-budgetary funding for this activity.

185. The representative of the Government of France pointed out that the proposal made by the Director-General concerning employment, in relation to studying countries with good results, could also be applied in the framework of the programme for the struggle against child labour. In effect, some developing countries with similar cultural and economic circumstances did not face the problem of child labour to the same extent – for example Tunisia – while in some developed countries the practice was becoming more widespread. It would be a good idea to examine these different situations and to draw conclusions on suitable action.

186. Returning to the question of social protection, the French delegation had on several occasions described as insufficient the resources allocated to extending social protection and making it widespread. In fact, the funds earmarked for this sector had fallen from 58 to 57 million and the portion set aside for this objective had been reduced significantly in comparison to the previous budget; the funds allocated to SafeWork and to working conditions had fallen by approximately 10 million. It therefore appeared that the funds allocated for the safety and health of workers in the strict sense of the term represented 7 per cent of the budget. Furthermore, that was the only objective for which the budget stated that operational programmes could not be carried out without extra-budgetary funds. In this context, the question was whether the ILO's standards-related system was operational or not. Of 183 standards, 18 were devoted entirely to safety and health and the Working Party of the Committee on Legal Issues and International Labour Standards had noted that of these instruments only one Convention and six Recommendations were obsolete; the conclusion could be drawn that the system was operational and in addition the Conference would be supplementing it with new instruments relating to agriculture.

187. It should be emphasized that in this sphere the three groups had always agreed, both at the international and the country level, on the need to limit the number of occupational accidents and diseases. In Europe, several countries were in the process of updating their labour codes, on account of the increased use of certain materials and chemicals that were dangerous for health.

188. These various elements showed that the Office must maintain and strengthen the efforts it had already agreed to in this sphere.

189. The representative of the Government of Brazil said that in view of the constraints on regular budget activities the ILO should make every effort to attract more extra-budgetary resources. Under operational objective 3b on working conditions she expressed strong support for the ILO work on HIV/AIDS which complemented that of WHO and of her own Government. The view that drugs should not be accessible to HIV/AIDS sufferers in the workplace should be rejected out of hand because it was only these drugs that would give them some hope for the future.

190. The representative of the Government of the United Kingdom believed that the ILO should take advantage of the work on social protection schemes carried out by NGOs provided it was effective and of value to the ILO. They should not necessarily be promoted to the exclusion of employers and trade unions but they could make a valuable contribution to ILO activities in this field. There would be an interesting discussion on social security issues at the ILO Conference this year and he hoped it would be more productive than discussions at the Commission on Social Development in the UN last month. In paragraph 112 there was a reference to global reporting on the effectiveness and efficiency of national social protection systems as an element of the Decent Work Agenda, and he asked whether this could be explained in greater detail.

191. The representative of the Government of Denmark expressed full support for ILO activities under the HIV/AIDS programme. It was disappointing that this programme was funded only under Strategic Objective No. 3, because HIV/AIDS had major implications for workers' rights, child labour, employment and social dialogue, so there was reason to ask to what extent the other three strategic objectives contributed to the programme and how it fitted into their work.

192. The reduction proposed for the InFocus Programme on SafeWork was most worrying, especially when safety and health at work was one of the crucial pillars of ILO activities. Statistics showed a steady increase in work-related accidents and the Governing Body had never shown any desire to loosen the focus and priority of this strategic objective. On the contrary, as earlier speakers had mentioned, the Governing Body had placed occupational safety and health items on the agenda for the International Labour Conference in June 2002 and 2003. In view of the strong support for this programme the Committee should be reassured that the Office was well placed to carry it out. In view of the ILO's expertise in the field of occupational safety and health it would be useful at some stage to have information on its preparation for the Rio +10 in 2002.

193. The representative of the Government of Japan expressed full support for the ILO programmes on occupational safety and health, an important part of Strategic Objective No. 3 on social protection. The ILO programme on HIV/AIDS would play a crucial role in helping countries in Africa and Asia and the Pacific to deal with HIV/AIDS in the workplace, but Strategic Objective No. 3 should not be the only contributor to this activity and the Office should look at other sources of funding as well. The ILO should also collaborate closely with WHO and UNAIDS to improve the effectiveness of this programme.

194. The representative of the Government of China said that paragraph 102 clearly described why so many countries needed better social protection. Many different aspects of social security were included under this heading, including pensions, unemployment insurance, medical care, employment injury and maternity protection, to name a few. An ageing population posed special problems for many countries around the world and it was all the more important for the ILO to give practical assistance to member States, especially in areas such as social security reform.

195. The representative of the Government of Portugal supported the statement made by the representative of the Government of Denmark. With respect to the HIV/AIDS programme, he stated that he naturally supported the strategy proposed, but hoped that there could be coordination and synergy with UNAIDS and other involved organizations.

196. The representative of the Government of the United States observed that paragraph 114 referred to the establishment of a Global Social Solidarity Trust Fund. To establish and administer such a fund could be outside the purview of the ILO and would certainly require prior consultation with the Governing Body. Paragraph 115 referred to the establishment of an Actuarial Services Revolving Fund. It would be useful to have clarification from the Office on how this fund would operate in practice.

197. The representative of the Government of the Netherlands associated herself with the statement by the United Kingdom representative on the importance of widening the group of possible partners to include NGOs to promote extended coverage and more effective administration of social security schemes.

198. The representative of the Government of Namibia supported the comments of earlier speakers about the inclusion of the programme on HIV/AIDS under Strategic Objective No. 3. The Committee did not want to see resources aimed at other occupational health and safety issues diverted to finance the HIV/AIDS programmes, which might better be classed as cross-cutting activities and thereby qualify for resources from other sectors. As other speakers had already said, the ILO should join with other international organizations such as WHO and UNAIDS in order to make its work under these programmes more effective. As a final point under indicator 3b.2 it would be appropriate to make some mention of the HIV/AIDS programmes.

199. The representative of the Government of Canada observed that under Strategic Objective No. 3 allocations for programme management had been redistributed and she asked whether this was the case for the first two strategic objectives

200. A representative of the Director-General (Executive Director of the Social Protection Sector) thanked the speakers for their contributions and underscored the complexity and sensitivity of indicators, which were affected not only by a broad range of policy and socio-economic factors but also by past experience and the extent of human and financial resources available.

201. He recalled the importance of the InFocus Programme on SafeWork, which accounted for around 40 per cent of the total budget of the Social Protection Sector and had therefore been in demand in the redistribution of resources allocated to the Sector. Nonetheless, rearrangement within the programme would ensure that priority objectives were achieved.

202. Referring to migrant workers, he underlined that today's world was shaken by scandals linked to organized trafficking of both male and female migrant workers at international, regional and even national level. This gave the Social Protection Sector serious cause for concern and constituted a major component of its activities.

203. Recalling that the promotion of Convention No. 183 and the promotion of standards had given rise to seemingly conflicting comments, he confirmed that there was no contradiction between the promotion of standards and that of the Conventions, because the two unquestionably went hand in hand.

204. It was necessary to give special attention to the informal sector, and one of the most pressing issues to be addressed in order to ensure its sustainability was to provide access to adequate social protection. In developing countries especially, social security structures were gradually being consolidated. Extending social protection to the informal sector (including in rural areas) was a crucial challenge, and the STEP programme was making a significant contribution in that regard. The general debate on social protection, which was on the agenda of the forthcoming International Labour Conference in June 2001, would provide an opportunity for in-depth analysis, not only of the current situation and outlook in terms of social protection worldwide but also of the Organization's responses and orientations in that area.

205. With reference to the concerns voiced by a number of speakers about paragraphs 114 and 115, relating to the analysis and exploration of the concept of a global social solidarity trust fund and the establishment of an actuarial services revolving fund for low-income countries, he pointed out that these were merely potential topics for feasibility studies which would be submitted in due time for consideration by the Committee on Employment and Social Policy.

206. In response to expressions of support and questions raised by various speakers, he gave a detailed review of issues relating to HIV/AIDS and the ILO's contribution to the fight against the pandemic within the context of the workplace. Pursuant to the recommendations in the resolution on HIV/AIDS adopted by the 88th International Labour Conference, the Office had established the ILO Programme on HIV/AIDS, launched on 1 November 2000 and operating with internal funds. The high level of demand on the part of Eastern European, African and Asian member States for country programmes to combat HIV/AIDS in the world of work highlighted the urgency of mobilizing extra-budgetary resources in order to be able to implement such programmes.

207. The ILO had signed a cooperation agreement with UNAIDS, in a move to contribute to the global effort undertaken by the UN system to combat the HIV/AIDS pandemic, and was working in close cooperation with WHO in this sphere.

208. As regards the current debate on the grievances of the pharmaceutical industry against South Africa, he assured the Governing Body that the ILO had not taken any stance on the issue.

209. He informed the Governing Body of the numerous activities conducted by the ILO and workers' and employers' organizations to combat HIV/AIDS in the workplace, and the responsibilities that the UN system had entrusted to the ILO in this field.

210. The representative of the Government of the United Kingdom was interested in the statements made by the representative of the secretariat concerning issues related to the supply and pricing of drugs. These were very complex and sensitive issues and were debated at length in WHO and UNAIDS, and would shortly be discussed in UNGASS in New York, and then later in the year at a conference to be hosted by the French Government. ILO discussion on this very sensitive subject should concentrate on the areas where it could add value and, as mentioned in the IMEC statement, in areas where it could use its unique tripartite structure to disseminate information to workers and employers in the fight against discrimination in the workplace against people who suffered from HIV/AIDS. The ILO was not a forum where much could be added to the debate on access to care.

211. The Chairperson did not wish to open a long debate on this very sensitive question but believed it was a legitimate subject for discussion at this point. Issues related to the supply and pricing of medicaments were also discussed in the WTO and even though it was an extremely sensitive subject no organization could avoid its responsibilities when the HIV/AIDS crisis was so serious. Of course the ILO should concentrate on labour aspects of the problem and other organizations on their particular specialities, but in practice it was very difficult to separate them and the issue of HIV/AIDS could not be put aside on that account.

212. The representative of the Government of Denmark expressed full support for the statement by the United Kingdom representative that the discussion on HIV/AIDS should be restricted to matters within the ILO's mandate.

213. The representatives of the Governments of the United States and Japan fully associated themselves with the statement made by the United Kingdom representative.

214. Mr. Blondel stressed that with regard to HIV/AIDS, Office involvement could not be confined to a vision of the world of work. He insisted on the role of the safety and health committees referred to by the Director-General. The ILO had specialized knowledge of the subject of discrimination and could carry out unique awareness and prevention activities. On the other hand, a problem such as the question of generic drugs required the participation of the WHO.

215. The representative of the Government of Namibia acknowledged the views of previous speakers who did not wish to discuss this matter. The Government of Namibia had a different view because it was a country seriously affected by the disease and wished to support the statements by the Chairperson and by the representative of the Director-General. The availability and price of medicine did affect workers, it did affect productivity, it did affect employers, it did affect families, it did affect children, and it did affect the world of work. To close one's eyes to that fact was a mistake and he could not support the view that this subject should not be discussed. In fact, the ILO added value just by having the discussion.

216. The representative of the Government of the Netherlands also associated herself with the remarks of the representative of the United Kingdom.

217. Mr. Trotman, a Worker member, remarked that as the discussion proceeded the more it was dividing the meeting into those who did not experience any major problem with HIV/AIDS and the remainder who did. There were parts of the world where one in three people were suffering from HIV/AIDS and there was nobody among that group who would accept the view, so patronizingly put, that nothing could be achieved by talking about the price of medicine. That was why the poor had remained poor, because those who controlled production had consistently kept the price high. The price of medicine was critical to the workers of the world, especially those from developing countries. If the world did not recognize that the working man and the working woman would suffer immensely if essentials were beyond their capacity to buy, then there would be serious problems in the world of work. And if the world of work suffered, everyone, from developing countries and developed countries alike, would experience turbulence and tensions never seen before.

218. Mr. Marshall said there were two questions still outstanding. In respect of paragraph 114, did the Global Social Solidarity Trust Fund refer to a transfer of knowledge, which might indeed be a useful experiment, or a transfer of funds, in which case the whole subject should be debated in the Governing Body? A question had also been raised concerning a proposal in paragraph 115 to establish an Actuarial Services Revolving Fund. It would be useful to have responses on these two points in due course.

219. A representative of the Director-General (the Executive Director of the Social Protection Sector) replied that the Global Social Solidarity Trust Fund and the Actuarial Service Revolving Fund were only ideas at the moment and were yet to be developed into full proposals.

Strategic Objective No. 4

220. Mr. Blondel welcomed the new Executive Director of the Social Dialogue Sector, Ms. Sally Patricia Paxton. Her arrival was especially welcome given that for a number of months, the Sector had been under interim management.

221. The Workers fully endorsed paragraph 133, which made it clear that social dialogue was a fundamental process for achieving all ILO objectives. It followed that the Sector needed to work in close collaboration with the other three sectors and vice versa. Such necessary interaction had already been referred to during the discussion on decent work. The weakness of social dialogue in many countries could be explained by a number of factors. It should therefore be the task of the ILO in the Sector in question to strengthen social dialogue frameworks and institutions and links with civil society, which were potentially an important element for the ILO and its constituents. The Sector would also encourage participation by employers' and workers' organizations in the measures adopted under the Declaration and within the framework of IPEC. With regard to resources, the Workers had been reassured that provision had been made to make up the expected reduction in extra-budgetary expenditure.

222. Turning to the operational objectives, he said that the three indicators for objective 4a were dealt with together since they were closely linked. The Workers welcomed the proposed activities, which should give the trade union greater credibility. They also welcomed the work undertaken in connection with globalization and its repercussions for workers and

their organizations, as well as activities connected with the problem of HIV/AIDS. With regard to operational objective 4b, more particularly indicator 4b.1, he welcomed the activities undertaken on Convention No. 144 and Conventions Nos. 87 and 98. However, he also considered that other Conventions, such as Conventions Nos. 135 and 154, should be integrated into the same system. The ILO should assist regional and subregional organizations, such as MERCOSUR, NAFTA, ASEAN, etc., and set up mechanisms for social dialogue as part of an effort aimed at regional integration. It might be appropriate to establish trade union and employer negotiating partners at that level. With regard to indicator 4b.2, the Workers welcomed the promotion of social dialogue presented in paragraph 159. Nevertheless, they hoped to be fully consulted on the revision of labour legislation. Although consultation was relatively straightforward when revision was coordinated by the relevant labour ministry and the ILO, that was not the case when other agencies did the coordinating, as had been the case, for example, in East Timor, where consultations had been extremely limited and workers' organizations had not been represented. That suggested that intervention by the ILO might be appropriate. With regard to indicator 4b.3, the Workers would have liked to see a strategy covering all the ILO's sectoral activities, even if some of these activities were described in paragraph 162. The Workers welcomed the research activities described in paragraph 163, and hoped that the trade unions would be involved in them. With regard to extra-budgetary resources, the Workers hoped that a proportion of those resources would be devoted to activities in the fishing and maritime sectors, without, however, detracting from the follow-up given to other sectoral meetings. The activities presented under indicator 4b.4 concerned gender equality, an issue which for the Workers was inextricably linked with social dialogue. The Workers hoped to learn how the various activities in question would be coordinated with the activities of other ILO departments. Lastly, with regard to indicator 4b.6, the Workers endorsed all social dialogue activities involving international organizations and regional groupings, while recalling that such efforts should also be made at national and local levels. The Workers naturally supported all the ILO's efforts to show the positive impact of social dialogue, and were themselves endeavouring to maintain a constant dialogue within the Committee.

223. Mr. Marshall, for the Employer members, thought that paragraph 134 was somewhat judgemental and unlikely to leave all parties completely satisfied because the consultation process was often more about information exchange rather than seeking total agreement. From paragraph 135, and to a certain extent 137, it was evident that the traditional framework for social dialogue was changing, and both governments and social partners now had more direct access to community representation; even individuals could contribute to social dialogue through existing communication networks. The key issue for the Employers was the need to protect the tripartism structure as the base for all social dialogue consultations. From paragraph 136, it was clear that decision-making at national and industry level was giving way to enterprise-level decision-making, which meant that individuals and groups at all levels were being increasingly encouraged to make their own decisions within a broader framework. This was a positive development but it did mean rethinking traditional procedures. The additional complication of regional and subregional groupings should not be overlooked because as the document indicated, they had already changed the process of policy-making, and the Governing Body would need to review these changes in order to develop an appropriate response. The views expressed in respect of the departments of labour in some countries were fairly general and it would be useful to find out whether there was any substance behind them.

224. The linkage in paragraph 137 between the failure to address issues of concern to women and the low numbers of women in key roles in governments and workers' and employers' organizations was somewhat tenuous, and in any case, there was a whole range of gender issues of equal significance that needed to be addressed in a far more considered way. The underlying logic could probably also be applied to issues concerning young and old people.

225. Paragraph 140 contained information on the sectoral meetings, which for 2002 had already been determined, and for 2003 would shortly be decided. The concept of sectoral meetings was one of the most important aspects of the ILO's communication and learning strategy and the Employers were happy with the present structure for these activities. Social dialogue played a role in determining decent wages through wage-fixing machinery but the Employers felt that this traditional approach had little if any relevance in the present world. The increasingly important role of the individual in the employment relationship and the decentralization of wage fixing called for new thinking.

226. The targets for indicators 4a.1, 2 and 3 appeared to be realistic, but some rationale for the numbers would be appreciated considering that the criteria for establishing the target and the expected results were more important. In relation to paragraphs 141 to 147, he emphasized the importance of consultation in the development of activities to ensure that constituent priorities were being met. For indicator 4b.1, the Employers felt that Convention No. 144 related more to tripartite consultation and he questioned its relevance to this operational objective.

227. Under paragraph 162 it was important that sectors were able to determine their own focus for discussion rather than have the Office promote or even impose the concept of global social dialogue on them. With reference to paragraph 164, he stressed that social dialogue concerned the tripartite partners and that relationship should not be undermined by civic considerations. In paragraph 172, the ILO needed to be aware of emerging regional initiatives and work with constituents to develop appropriate responses for individual situations. In paragraph 174 and in general, he stressed that initiatives for new directions should respond to constituent demands and the Employers would play their part in these activities.

228. The representative of the Government of Germany lamented the lack of a coherent and consistent description of the various sectoral activities in the programme and budget proposals. Two years ago the Governing Body had decided that sectoral activities should belong to the social dialogue sector but this strategic objective highlighted the need to focus more on strategic targets and the InFocus programme if the ILO's goals were to be met. It was therefore disappointing that the resources for 2002-03 were less than for the previous period, chiefly by a cut in personnel expenditure because the allocation for meetings had not been reduced. The allocation however had to finance 12 of the 22 sectoral meetings which had earlier been decided by the Governing Body and as Mr. Marshall had indicated, six of the sectors had already scheduled their meetings for November 2002, with a further six scheduled for 2003.

229. As was mentioned in paragraph 27 of Information Annex No. 1, sectoral activities were designed to target social and labour issues in 22 economic sectors of economic activity, and to foster dialogue at sectoral level so as to strengthen and broaden the effectiveness of the ILO in those fields. The priority for this programme was less than that for other programmes on social protection, employment, basic rights, workers' rights and so on, a disappointing state of affairs when one considered the value of sectoral programmes to other activities at the ILO. The sectoral distinction was a useful management tool. For example, employment was categorized according to sectors, such as agriculture, forestry, construction, banking, mining, hotel and tourism, telecommunications and textiles, other aspects such as accidents were analysed by sector, innovations were introduced by sector, and technology was applied to sectors. True social dialogue between employers and workers within these sectoral bands needed to be developed and promoted and it would be a shame if the resources allocated to this activity were spent in producing lengthy reports that were adopted without any real discussion. Common activities aimed at the protection of labour, for example in sectors such as mining or seafaring, had been discussed between the sectoral programme and the SafeWork programme and these initiatives should be strengthened not only at the intersectoral level but also for the overall programme of the Organization. Perhaps the Director-General could provide the Committee with an overall comprehensive intersectoral strategy for the November session of the Governing Body.

230. The representative of the Government of Algeria said that the African group welcomed the increased resources devoted to social dialogue under the regular budget. The African group set great store by the strategic objective in question and supported the Office's efforts to consider social dialogue from the point of view of the competitiveness of enterprises and the improvement of working conditions. It also endorsed the Director-General's initiatives to give a human face to globalization through social dialogue. However, the African group hoped that extra-budgetary resources could also be used to boost social dialogue activities aimed at establishing decent work; such resources might also be used to enhance activities on the problem of HIV/AIDS. The African group supported the Workers' education activities described in paragraph 150, in which workers as well as employers should be involved. The speaker concluded by requesting information on indicator 4b.6, and encouraged the ILO to enter into partnership agreements with other international organizations.

231. The representative of the Government of Benin congratulated the Office on the proposed activities to strengthen social dialogue in general and in the developing countries in particular.

232. He said that the Government of Benin greatly regretted the reduction in resources dedicated to the Government and Labour Law and Administration Programme which was intended to provide support to labour ministries. The reduction was particularly serious for the developing countries. He also emphasized the issue of the representativeness of trade union organizations in developing countries, where the democratic process was advancing ever more rapidly.

233. The representative of the Government of Burkina Faso endorsed the statement made by the representative of the African group, who had emphasized the importance of social dialogue. The African countries faced many different challenges and set great store by social dialogue, in particular efforts made to strengthen the social partners.

234. With regard to operational objective 4b, he stressed the need to strengthen the capacity of governmental institutions, especially ministries and administrative authorities responsible for labour issues of fundamental importance in tripartism and social dialogue. He regretted the reduction in budgetary resources allocated to the Government and Labour Law and Administration Programme, and suggested that the decision should be reconsidered.

235. The representative of the Government of Brazil fully supported Strategic Objective No. 4 and operational objective 4b in particular and expressed general support for the proposals in the document although the reduction in resources was regrettable. Comments by previous speakers on strengthening social dialogue and sectoral activities, referred to in the Information Annexes in paragraphs 26 and 27, were fully supported by her delegation.

236. The representative of the Government of South Africa added his support for Strategic Objective No. 4 and stressed that full and equal interaction between tripartite social partners was necessary for social progress, especially in those countries in Africa besieged by conflict, and the Office needed to increase resources for this activity if the objectives of the programme were to be realized.

237. Mr. Blondel explained that he had not considered the question of the definition of the term "dialogue" because he had been sure that a definition had been agreed long ago. If it was now necessary to consider the question again, social dialogue could be defined as a process of conciliation, including when necessary in cases of disagreement, undertaken with the aim of achieving concrete results and not simply for information purposes. Involvement of the parties and discussion at all levels, including the local level, were therefore essential. The organizations involved in the process represented collective interests, namely those of employers and of workers, and did so in complete independence. That was essential to the credibility both of trade unions and of employers' organizations.

238. A representative of the Director-General (the Executive Director of the Social Dialogue Sector), expressed her appreciation for the constructive commentary on Strategic Objective No. 4. The ILO was moving steadily through a learning phase in the integration of strategic budgeting concepts but the end results would be worth the effort. Social dialogue was obviously a very important objective for the ILO but it was vital to ensure proper coordination not only within and between strategic objectives, but also between the Office and the constituents if the programmes were to be achieved. Some speakers referred to the important role of NGOs in civil society and it would certainly be important for their voice to be heard in tripartite dialogue but with proper recognition for the constitutional role of the social partners. In response to the question raised by Mr. Marshall about Convention No. 144 and the link between indicator and target, the objective would be to ratify other Conventions on fundamental rights within this operational objective in addition to Convention No. 144. Seven member States had ratified Convention No. 144 in 2000 and as mentioned earlier in the Governing Body it was still one of the ILO's principal Conventions. The issues raised by Mr. Blondel concerning the handling of gender issues in the Social Dialogue Sector would be reviewed as a priority in view of the staff changes that had taken place. The Department would continue its close collaboration with the social partners and with ACTRAV and ACT/EMP as it worked towards the realization of its strategic objectives.

Cross-cutting activities

239. Mr. Blondel emphasized that, with regard to the ILO's cross-cutting activities, the sole objective was implementation. It was important to undertake and successfully complete all the activities described in paragraph 177 and subsequent paragraphs.

240. Mr. Marshall said that the Employer members recognized the importance of cross-cutting activities and hoped that this programme's scarce resources would be used efficiently in coordination with the sectors to avoid duplication. Of these activities, the most vital from the Employers' point of view was that the Turin Centre continued to play an important training role in ILO work across all strategic objectives. They strongly supported the additional funding proposed for the Centre.

241. In respect of paragraph 184, the Employers supported the continued development of the International Policy Group but proper resourcing was essential if it was to produce well researched and philosophically balanced policy options for consideration. The goal was to influence policy positions which had been debated and agreed by the Governing Body as crucial to the realization of the decent work objectives. At the same time, the activities of the Group should be closely coordinated with other departments because ILO policy needed to be agreed internally before being distributed outside the ILO. The Employers looked forward to receiving proposals for a policy development process together with a recommendation on subjects to be discussed.

242. The Employers welcomed the development of a long-range communications strategy as described in paragraphs 186 to 189 and looked forward to the opportunity of reviewing a draft before its final approval. It was unclear whether the responsibility for the maintenance of the website was included within the communications section responsibility and some clarification on this would be useful. Web communication was an increasingly important aspect of communication policy and its integration into communications section strategy was a logical step. The ILO website was large and complex with multiple input locations, so it was important to ensure that resources were sufficient to maintain quality standards, taking into account such issues as the relevance of the content and the accuracy of the translations.

243. The representative of the Government of Italy said again that his country placed great importance on the ILO's cross-cutting activities. The Organization's different sectors should be able to collaborate on a regular and permanent basis. Italy had already emphasized the need for intersectoral operational support to the concept of decent work.

244. Priority needed to be given to three particular cross-cutting issues. Firstly, the statistical data that were essential to the ILO's activities, especially the various evaluation exercises currently under way. Reliable statistics were needed for the Organization's activities, but also to support member States which did not have a well-developed system of statistics. That would require support from the various ILO sectors and from regional and country offices to the Bureau of Statistics, especially in the area of data collection. The second issue was training, which occupied a central place for the ILO. It was important to strengthen links between the Turin Centre, which was regarded as the main centre for training activities, and the ILO's different sectors.

245. Thirdly, there was the matter of communications. The speaker supported the new longer range communications strategy presented in the programme. The strategy in question was important both for the internal functioning and the external image of the Organization. It would be necessary to present a more up-to-date image of the ILO and one that was closer to current realities, given the importance of its activities in the social sphere. For example, it was vital that IPEC should be involved with the United Nations Special Session on Children's Issues, in the same way as UNICEF. Italy therefore unreservedly supported all the efforts made to establish an intelligent and targeted communications strategy.

246. The representative of the Government of Trinidad and Tobago applauded the commitment by the Office to expand its knowledge-base and strengthen its analytical approach, because building statistical capacity would benefit both the Office and its constituents by providing a scientific platform for sound decision-making and analysis. A serious researcher might acknowledge and respect the expertise of ILO's specialists but would probably confess to a measure of discomfort when dealing with statements and judgements without any scientific backing. The Bureau of Statistics and the International Institute for Labour Studies should also use their expertise to develop methodologies for the more accurate measurement of outcomes, a subject mentioned several times already in the course of discussion.

247. Among the capacity-building initiatives mentioned in the body of the report she expressed particular support for the intention to maintain three new databases on employment-related subjects, as well as the plan to pursue research to identify the most feasible macroeconomic policy packages and to ascertain the employment consequences of globalization. The proposed integrated database on working time, non-standard working arrangements and work and family would provide valuable information to member States for policy-making purposes. Alongside the creation of these databases, the Office should develop a marketing and promotion plan to make its constituents aware of the existence of this information. The ILO carried out a good deal of research but its output was usually only noticed and used by researchers, many of whom might not be interested in its practical application or even linked to agencies that could put it to good use. There was a role for the regional offices in marketing this information in accordance with the needs of constituents, and the International Institute for Labour Studies should establish more direct research relationships with ministries of labour which typically would be the main users of this information.

248. Throughout the document there were a number of items dependent on extra-budgetary funding not yet identified, but one which deserved more priority was the Global Social Solidarity Trust Fund mentioned in paragraph 114. This initiative would be a significant step towards the eventual development of a sound global social policy that should form part of the globalization agenda. The ILO was the organization best placed to pursue this vision so it should prepare itself for the lead role, and strengthening its knowledge-base would be a vital first step in doing so.

249. The representative of the Government of Bangladesh expressed support for ILO sectoral activities particularly those for expanding research work and its knowledge-base. He supported also the activities described in paragraphs 182 and 183 and urged constituents to make greater use of the facilities at the International Training Centre in Turin.

250. The representative of the Government of the United Kingdom remarked that one of the key features under each strategic objective was deciding operational objectives and then setting targets and indicators for each. There should be scope for a similar approach under the other budget headings, namely, cross cutting activities, the regions, governance, support and management. Other organizations in the UN system had been able to establish objectives and indicators in areas as diverse as human resource management, governance and treasury functions, so the ILO should try to do the same, beginning in the biennium 2004-05.

251. The representative of the Government of Switzerland, referring to paragraphs 177 and 178, asked whether it might be possible to define more precisely the concept of decent work, which appeared in many parts of the document. It would be useful to have an overall view. He supported the search for synergies as something preferable to the proliferation of departments. For example, with regard to decent work, efforts would be needed to improve field structures before strengthening headquarters capacities.

252. Lastly, with regard to paragraph 184, he requested that the support given to the International Policy Group be reinforced. The recent discussions of the Working Party on the Social Dimension of Globalization had been disappointing as a result of the relatively low level of resources made available to the International Policy Group which acted as the Working Party's secretariat. On that point, he endorsed the statements made by Mr. Marshall.

253. The representative of the Government of Portugal endorsed the remarks made by the representative of the Government of the United Kingdom concerning the absence of indicators and targets for cross-cutting activities.

254. His Government endorsed paragraph 183 concerning closer involvement of the Turin Centre in attaining the ILO's priorities; paragraph 184 concerning the International Policy Group; and, lastly, paragraphs 186-189 concerning the ILO's communications strategy, which for a number of years had been inadequate.

255. The representative of the Government of Brazil drew attention to the last sentence of paragraph 179, which read "Gender issues are understood as central to the Decent Work Agenda at the national and international levels". But gender issues were not the only examples of discrimination and it was regrettable that the Office document made no mention of the problem of racism. Neither had it been mentioned during the course of discussion, which was rather surprising in view of the forthcoming world conference on this subject. There was a brief reference to this topic in a LILS Committee document but it would be useful to have more information on what the ILO would be doing.

256. Discrimination was practised on a wide front and was to be found in various forms in the labour market. Fighting against it would help promote the concept of decent work because the workplace could be freed from discrimination on the basis of age, colour and sexual orientation, and from discrimination against people who were disabled or suffered from HIV/AIDS or other communicable diseases.

257. The representative of the Government of Denmark expressed support for the suggestion just put forward by the United Kingdom representative.

258. The representative of the Government of the United States also supported the comments by the United Kingdom representative. The proposal in paragraph 181 to expand statistical capacity in the ILO deserved high priority and the ILO should work closely with other international organizations, particularly the international financial institutions, to promote the Decent Work Agenda.

259. A representative of the Director-General (the Director of the Bureau of Programming and Management), responding to a question from the Workers concerning intersectoral operational support for decent work, confirmed that a pilot programme was now operating in a few countries and was already giving guidance on how the Decent Work Agenda could be advanced. The ILO was also collaborating with the World Bank in five other countries, promoting the concept of decent work in the Bank's strategy on poverty reduction. This programme would coordinate the research work in Geneva with the practical work in the field and ensure the two were coherent.

260. The Employers had suggested that responsibility for the ILO website should be transferred to the Department of Communications and this would be passed on for consideration. The question had also been raised about the need for quality control of material on the website, both in terms of content and in terms of language. It was true that problems existed with Spanish texts at the moment but steps were being taken to bring these up to proper standard.

261. A suggestion had been put forward by the representative of the Government of the United Kingdom, and supported by others, that the Office should develop indicators and targets, not only for the four strategic objectives but for the remainder of budgetary activities as well. At the November 2000 session of the Governing Body the Committee considered a paper containing a full list of indicators and targets for the 2000-01 biennium which covered the totality of ILO activities. The reaction in the PFA Committee was that they were too detailed for the Committee's consideration, although they would probably be useful to internal management. In March 2002, there would be an implementation report for the whole of 2000-01 and it would include results under targets and indicators established for the support sectors, but would be in summary form compared to the presentation in November 2000.

262. In reply to the statement by the representative of the Government of Brazil it was true that the Office document did not make specific mention of the issue of racism. However, the Convention on discrimination administered by the Standards Department encompassed all aspects of discrimination and in fact was one of the Conventions covered by the Declaration on Fundamental Principles and Rights at Work. The migrant workers' programme also dealt extensively with racial discrimination issues, and the HIV/AIDS programme addressed the problem of how sufferers were affected by the legal issues of discrimination, including racial discrimination.

The regions

Africa

263. Mr. Blondel explained that different workers' representatives would speak on each region. He asked why it was that no adviser on child labour had been assigned to the Arab States, although there was such an adviser for the Americas, two for Africa and two for Asia and the Pacific.

264. Mr. Sibanda, a Worker member, said that many African countries had suffered from severe economic and political crises, often aggravated by civil conflict and the absence of respect for human rights. Throughout the continent large numbers of people were suffering from HIV/AIDS. Unemployment, the widespread use of child labour and the absence of social protection in the informal sector was evidence, if it were needed, of the enormous problems facing African member States. Africa desperately needed ILO help and the extended Jobs for Africa programme and other employment creation activities should be given the highest priority. The Office should also ensure that the MDTs were fully staffed with well-qualified people to ensure that these programmes were effective.

265. The issue of HIV/AIDS was of great concern across the whole of Africa because it was so seriously affected by the AIDS pandemic, and African governments should collaborate closely with employers' and workers' organizations to come to grips with the problem of HIV/AIDS in the workplace. Another top priority was child labour. Across Africa about 80 million children were working under dangerous and extreme conditions of exploitation and urgently needed help. As well, the ILO should concern itself with the strengthening of labour ministries to enable them to fulfil their basic functions in the field of labour inspection and the application of labour standards related to employment and conditions of work. This was perhaps slightly at variance with the statement by the Algerian representative on behalf of the African governments, which suggested that labour standards were less important than employment creation, but the Workers first priority was decent jobs that complied with international standards.

266. Mr. Marshall said that the Employer members thought that the present structure for regional operations seemed to be at odds with the strategic objective framework. This point had been made previously and although the decent work teams were a genuine attempt at improvement they were not a complete answer, so the Office should think seriously about a complete reorganization of regional services.

267. Structurally, the regions were too complex for the rather general treatment proposed in the regional programmes. The conclusions of regional meetings and country studies could be used to better effect to identify the regional constituents' priorities.

268. Despite these comments the Employers fully supported the programme of regional activities. Poverty was at the root of so many regional problems and ILO programmes would probably have more impact if they aimed more directly at encouraging investment, ultimately leading to the creation of more jobs. Employers everywhere were now seriously concerned about social security systems and whether they would continue to be viable in future. Many of the problems were already well known and the ILO should be undertaking research on how they could be solved and on the development of alternatives to meet constituents' needs.

269. African employers regarded employment creation as the top priority for their region and although the ratification of Conventions was obviously important it should not be given precedence over the need for more jobs. Paragraph 199 referred to gender issues but the Employers believed youth issues were equally important. The priority for HIV/AIDS programmes in paragraph 200 was well merited but there were concerns at the reliance on extra-budgetary funding. In paragraph 201, focusing on social security systems that were relevant to African realities was the right approach and should be adopted also for other regions. Tripartism was still in its infancy in parts of Africa and the proposals in paragraphs 202 and 203 for its continued development and the strengthening of social partners to this end deserved full support.

270. The representative of the Government of South Africa drew attention to paragraph 193 which pointed out that economic growth in some countries was not producing an increase in jobs, so ILO programmes aimed at employment creation should be given the highest priority. The last sentence in paragraph 196, dealing with activities to promote and realize standards and fundamental principles and rights at work, read "… ILO efforts in the region under this strategic objective will focus on priorities in which the greatest impact can be achieved". He expressed the hope that this programme would take full account of the needs of member States before proposals were finalized.

271. He expressed support also for the proposals in paragraph 199 to close the gap between the existing skills of the African labour force and the skills demanded in the global economy. The African countries should make efforts themselves to upgrade their labour skills to build on the work of the ILO programmes. Of even more value to the African countries would be the ILO programmes described in paragraph 200 to provide more effective social protection for the victims of HIV/AIDS. There seemed to be a popular perception that HIV/AIDS was only an African problem but this thinking was totally misguided. HIV/AIDS reached into every corner of the globe and in the end it was global solutions that were needed. The problem was so serious that sectional interests should not be allowed to prevail and in the end the world must say no to medicine for profits but yes to medicine for people.

272. The representative of the Government of Algeria emphasized the importance that should be given to the African region with regard to the many challenges it faced, whether in terms of employment, development, promotion of standards, social protection or social dialogue, not to mention the problem of HIV/AIDS. With regard to the latter, he endorsed the position of the representative of South Africa.

273. The speaker clarified the position of the African group with regard to employment and international labour standards. The request for greater resources to be devoted to employment did not imply a wish to restrict the ILO's standards-related activities. The African group advocated an integrated policy which would both encourage job creation and promote standards. Such a policy should avoid a selective approach in promoting international labour standards.

274. The representative of the Government of Namibia supported the statement by the previous speaker that the ILO should concentrate on employment promotion as the highest priority for the African region. He recalled that in his opening remarks the Director-General had suggested that members should give some thought to the ILO's role in the process of globalization. It was a fact that Africa so far had seen few benefits of the process of globalization so it was all the more important that African countries should be part of that debate. For many it was not easy to have their voice heard but the ILO could help by organizing discussion on this subject.

275. The Programme and Budget proposals for 2002-03 spoke of expanding the knowledge-base of the ILO. The African member States regarded this as a valuable activity and would be happy to contribute to it. As mentioned earlier it was social dialogue that brought people closer together and these programmes deserved every support so that the widest number of people could share in social progress. Obviously the decent work teams would play a leading role in these activities and no effort should be spared to ensure that they were able to carry out their work properly.

276. The representative of the Government of Sudan fully supported the statements just made by the representatives of the Governments of Algeria and Namibia. He agreed with the suggestion that regional activities should be approached in the same way as the strategic objectives, and also that the ILO should promote efforts to close the gap between the existing skills of the African labour force and those demanded in the global economy. This gap also existed within countries themselves and the only long-term solution was to upgrade work skills and capacities. The proposals in paragraph 201 also deserved full support. Social protection in Africa was extremely weak with some sectors having little and others such as the informal sector having none at all. African countries had an urgent need for ILO services and would be grateful if the ILO could supplement its regular budget activities with other programmes funded from extra-budgetary resources.

277. A representative of the Director-General (the Regional Director for ILO Activities in Africa) said that the problems faced by African countries could be grouped under five main headings: poverty, HIV/AIDS, capacity, resources and governance. ILO programmes were carried out in all these categories but much remained to be done. Within its resource constraints the ILO was doing its best. Africa had the most generous allocation of regular budget activities and last year had ratified 41 Conventions out of the 106 new ratifications by the whole ILO membership. The Office was working hard on the issues of decent work and the extended Jobs for Africa programme was already operational in 11 countries. Social protection was an enormous challenge but, as mentioned in paragraph 200, activities in the 2002-03 biennium would focus increasingly on the problem of HIV/AIDS. Other programmes in this section would focus on the provision of social security to the most vulnerable segments of the population: women, the young and workers in the informal sector and agricultural sector. Under social dialogue there were projects on conflict prevention and conflict resolution and there were active training programmes in labour arbitration skills. The issue of globalization was receiving increasing attention in discussions with employers' and workers' organizations and there were already continuing consultations on the subject of HIV/AIDS. She expressed the hope that this brief summary answered the Committee's questions but would be happy to provide additional information if required.

The Americas

278. Mr. Ramirez, a Worker member, wished to raise some particular points concerning Latin America. Referring to paragraph 207 concerning the promotion of standards and rights at work, he believed that in view of the high level of ratifications of basic Conventions that emphasis should be laid on pinpointing the problems in countries where there had been few or no ratifications. More emphasis should be laid on technical assistance in order to promote the application and implementation of the Conventions particularly in countries where labour legislation had become inflexible, especially in some economic sectors such as free export zones. It was alarming to see the increasing number of complaints from Latin America being submitted to the Committee on Freedom of Association. The ILO was carrying out excellent work in the Americas, especially the MDT in the Andean area which was sparing no effort in its promotion of the Conventions and the promotion of social dialogue. Paragraph 208 unfortunately did not give information about the active participation of workers' organizations in implementing programmes for the eradication of child labour. In paragraph 210 there should be more priority given to the participation of the social partners in the development of employment policies and with respect to vocational training programmes. Paragraph 212 should include reference to the needs and protection of migrant workers, especially with respect to the implementation of the Colombia Plan.

279. In paragraph 213 there should be more resources allocated to strengthen and support the social partners, particularly the workers' organizations. There should be greater efforts to open up dialogue, both regionally and nationally, with organizations such as the World Bank, the IMF, the Inter-American Development Bank and other similar institutions. The budget decrease for employment creation was a matter of concern and in view of the particular situation in Latin America, particularly the Andean area, it was important to ensure that the institutions for social dialogue were strong and well equipped for their job. This need was all the more urgent since some countries resisted social dialogue and one case actively rejected it. The ILO had played a major role in the resolution of this dispute. This type of work was a vital part of ILO activities and it was important to ensure that it was properly funded.

280. Mr. Marshall, for the Employers, pointed out an error in the terminology in paragraph 204 where the word "protection" in the second line should be replaced by the word "security". Under paragraph 206 they acknowledged that an Americas free trade agreement might be of interest to members of that region, but the Office was well aware of the Employers' view that trade and labour linkage was not an area for ILO action and they were disappointed to see this reference in the document. Under paragraph 207 there should be some clarification on what form of protection was proposed for the vulnerable groups identified and how it would be organized, and under paragraph 209 technical cooperation resources should be aimed at creating jobs through the promotion of freedom of association and through making labour legislation throughout the region more flexible.

281. In paragraph 210 he expressed strong support for the emphasis on effective employment policies, skills development and training systems, but pointed out that legislation reform would be needed to attain this objective. Employers' organizations in the region were keen to work with the ILO in its efforts to assist small and medium enterprise development and to help communicate best practice models as widely as possible.

282. The representative of the Government of Mexico recalled that in his statement, on behalf of the Latin American and Caribbean member States, there was a request for clarification concerning proposals made by the Office in paragraphs 205 and 206 of the budget document, referring to the processes of economic integration in the Americas region. All member States in the region considered that any possible advisory service from the ILO should only be provided at the request of member States. A further point of clarification was also required. Paragraph 205 referred to building ILO activities on the social and labour dimensions of some of the free trade areas. Nevertheless, these dimensions were not homogeneous within these various areas, and even less so from one trading association to another. The last sentence of paragraph 205 also referred to labour instruments and it would be useful to have clarification on what this meant.

283. In paragraph 206 there was a reference to the role of the ILO in negotiations on an Americas free trade agreement and the opportunity to promote decent work through any final agreement. As far as the ILO was concerned, Mexico would like to promote decent work and fundamental freedoms and rights at work through cooperation and social dialogue; the ILO had a constructive role to play in this work in Latin America, and indeed in the rest of the world, and it should carry out this work by promoting Conventions for adoption by the member States of the ILO. However, in order to avoid attitudes of protectionism and confrontation the Declaration should not be invoked in the context of commercial or trade integration processes taking place within the Americas region. Governments, employers and trade unions should of course take into account and carefully bear in mind the fundamental principles and rights at work, especially when it came to making changes in the national labour context as part of the process of building a free trade area in the hemisphere. If no satisfactory clarification was forthcoming, and on the understanding that the document contained proposals that could be modified or deleted, Mexico would reserve the right to request the deletion or modification of paragraphs 205 and 206 of the document.

284. The Chairperson, speaking on behalf of the Government of Brazil, confirmed that MERCOSUR members had already asked for ILO help on a number of activities concerning employment and labour matters in that region. However, the statement in paragraph 206 that efforts to reach an Americas free trade agreement by 2005 created for the ILO a unique opportunity to ensure the promotion of decent work through any final agreement appeared to be a misunderstanding. First of all, that opportunity already existed. Everyone was interested in programmes for decent work irrespective of what happened in these very complex negotiations and they all hoped the negotiations would succeed but one could never be certain. More seriously, the present formulation in paragraph 206 could also be interpreted as a conditionality, a construction which could well be unacceptable to several member States.

285. The representative of the Government of Trinidad and Tobago expressed support for the emphasis to be placed in the 2002-03 biennium on the work in regional and subregional groupings. Their view had always been that work with such groups would produce more effective results. The narrative on the Americas region appeared too general to adequately address the diversity of needs over such a wide area, and from the references in this section there seemed to be insufficient awareness of the Caribbean subregion and of the ILO's excellent work with that group.

286. The Office should therefore take a closer look at this subregion. It might discover that, because of the conditions there, the region was ideally suited to host ILO activities. A case in point was the first Caribbean Enterprise Forum in January this year at the end of which the social partners drafted and adopted a tripartite declaration committing themselves, among other things, to the principles enshrined in the Declaration on Fundamental Principles and Rights at Work. This forum was an activity of the ILO's regional project for the promotion of management-labour cooperation (PROMALCO), a project essentially aimed to educate enterprises of the strong link between decent work and sustained productivity.

287. In addition to the labour-related components of NAFTA mentioned in the narrative, the Caribbean community had in place two statements of principle to guide the relations among members of the Caribbean community. The first was the Charter of Civil Society, and the second was the CARICOM Declaration on Labour and Industrial Relation Principles. The Caribbean member States as a group had also adopted a number of model labour laws that guided the development of national legislation. Regional meetings of ministers of labour were always tripartite in nature with full participation by the Caribbean Congress of Labour and the Caribbean Employers' Federation.

288. Turning again to the text of the Office document, a major concern was the absence of any mention of the ILO's proposed activities regarding HIV/AIDS in the region. The Caribbean region had the second highest incidence in the world of HIV/AIDS and this should be borne in mind when resources for this activity were allocated. But this was not to say that nothing was being done. In fact, the Port of Spain Office of the ILO was about to launch a regional project on HIV/AIDS in the workplace with extra-budgetary funding supplied by the United States Department of Labor. This project would address both national and regional concerns, but it was compatible with the regional action plan on HIV/AIDS and was being undertaken in collaboration with other key organizations. To summarize, she suggested that the Office review the budget text for the Americas region so as to reflect more accurately the activities there and also to establish a better link between those activities and the needs of constituents in the region.

289. The representative of the Government of Cuba expressed support for the statement made by the representative of the Government of Mexico with regard to paragraphs 205 and 206. ILO activities carried out by the regional offices and the MDTs were carried out in collaboration with the member States and responded precisely to their needs, but this was not always true of activities carried out in collaboration with other international organizations which did not have a global perspective and were not representative of general interests in the region. Bearing in mind the difficulties experienced in the Latin American region she expressed support for activities on the eradication of child labour mentioned in paragraph 208, the activities on employment creation described in paragraph 210 and also the general provisions aimed at expanding social protection.

290. The representative of the Government of Peru fully supported the activities proposed for the Americas region, especially those under the four strategic objectives. Particular mention could be made of the programmes on fundamental labour standards and on the eradication of child labour, both absolute priorities for the Latin American region. The promotion of standards should be carried out progressively with the creation of employment opportunities to ensure decent jobs and decent income for both men and women. These programmes would be of greatest benefit to vulnerable groups in the informal sector and the rural areas.

291. The consolidation of tripartism and social dialogue was a priority for Peru which 12 months ago had set up a National Council of Labour, a tripartite body comprising government, employer and worker representatives, to serve as a national forum for labour issues. Programmes for migrant workers should also be a high priority and he concluded by expressing full support for the statement by the representative of the Government of Mexico concerning paragraphs 205 and 206 of the Office document.

292. The representative of the Government of Canada expressed appreciation for the ILO's contribution to follow-up on the Action Plan adopted by Ministers of Labour at the 11th Inter-American Conference in Chile. As host of the 12th Conference, to take place in Ottawa in October this year, Canada would look forward to the participation of the ILO and its continued contributions in support of the Conference which addressed labour issues in the Americas region.

293. The representative of the Government of Chile expressed appreciation for the ILO's work in Latin America and supported the proposals for the promotion of standards and those in paragraphs 208 and 209 dealing with the eradication of child labour. He endorsed also the proposals in paragraph 210 on the generation of jobs and the creation of quality employment. Chile had a special interest in promoting tripartism and social dialogue and intended to set up a forum for this purpose as part of current reforms on labour rights and labour legislation.

294. A representative of the Director-General (the Regional Director for ILO Activities in the Americas), responding to a comment, said that more than half of the countries in the Americas' region had ratified five or six of the core Conventions and the Declaration but further work was needed on the violation of Conventions and labour monitoring in general. In reply to a comment concerning paragraph 204, he confirmed that the description "decent work and protection for all" reflected the language of the Director-General's paper and the conclusions adopted by the Conference.

295. The issue of excluded populations affected not only the Americas but also the world as a whole. Social security systems in Latin America frequently did not include cover for women nor was there any protection for the self-employed and those working in the informal sector. The ILO was working with governments in the region on the possibilities for introducing minimum social security cover for the whole population and, in addition, there was the STEP programme covering informal initiatives by cooperatives and other groups in setting up social security schemes.

296. A number of speakers had expressed concerns about paragraph 205 but perhaps it was not clear from the text that this referred to a very specific situation where the ILO was responding to requests from various countries in the context of subregional integration. The ILO was not involved in any other activities except those in these very particular circumstances where it was responding to a request from MERCOSUR and trying to build on the social and labour dimensions adopted by its constituent members, and this in fact was very similar to worldwide activities concerning the Declaration. These requests came not only from Government representatives but also from tripartite bodies and was similar to what was happening in the Caribbean member States.

297. Paragraph 206 could give the erroneous impression that the ILO was involved in commercial or economic ventures but this was certainly not the case and the ILO had simply responded to requests from the inter-American labour system. The requests came from the conference of ministers of labour, where the ILO had been asked to promote the working parties of ministers to deal with follow-up on fundamental rights, and with the modernization of labour legislation. Both aimed to promote the Declaration and the effective implementation of the core Conventions, and to promote the other three strategic objectives of the ILO.

Arab States

298. Mr. Blondel explained that he was speaking in the absence of representatives of the Arab States in the Workers' group. For the Workers, the issue of freedom of association in the Arab countries was of fundamental importance. What would be needed was a programme of consultation based on freedom of association, the effective recognition of the right of collective bargaining and the elimination of discrimination, which would have to be set up in collaboration with the International Labour Standards Department. With regard to the matter of freedom of association, the ILO's Beirut Office should play a crucial role.

299. The second question concerned migrant domestic workers, within the region and outside it. The situation of such workers was a matter of concern, and discrimination was becoming an endemic problem. For that reason, the trade union organizations needed to be strengthened.

300. Lastly, with regard to the peace process in the Middle East, the Workers endorsed all the efforts made by the international community and by the United Nations system to promote the institutional, social and economic recovery of the countries in the area. However, the wording adopted by the Office, to the effect that the content and pace of its activities would be governed by the extent to which peace obtains in the region, appeared too cautious. The ILO needed to use every available means within its sphere of competence to contribute to the strengthening of the peace process.

301. Mr. Marshall said that employers in the region were concerned at the extent to which the ILO was relying on extra-budgetary funding for core programmes. His group felt that it would be useful for coordination between groupings with common interests in the Asian and African regions to be facilitated. The Employers hoped that the peace process in the

Middle East would be brought to a swift and successful conclusion and pledged their full support for the ILO's contribution to that process.

302. The representative of the Government of Saudi Arabia, speaking as well on behalf of the Governments of the United Arab Emirates, expressed appreciation for the document containing the Programme and Budget proposals for 2002-03, the first for a complete biennium under the new format. In the section dealing with field programmes for the Arab States, under paragraph 215, the concept of decent work in that context should be defined. Under paragraph 216, the text seemed to imply that ILO assistance would depend on progress under the peace process. This would be the wrong approach. The ILO should continue with its work on employment creation in particular because it was linked so closely to social stability and economic and social progress, and this alone was a major contribution to the peace process. He expressed strong support for the special programme for Palestine and the other occupied territories but stressed that there were other countries in the region not involved in the conflict which were equally in need of ILO services, particularly technical cooperation programmes. The budget document did not refer to cooperation between the ILO and the various organizations in the region it worked with and he urged the Office to reaffirm its support for the Arab Labour Organization and also the Executive Bureau of the Council of Ministers of Labour and Social Affairs in Gulf Cooperation Council States. On a related issue, the ILO should strengthen cooperation with employers' and workers' organizations in the Arab world, and he concluded by asking the Office to ensure that the regional office in Beirut was fully staffed with properly qualified experts and advisers in view of the demand for ILO services in the region.

303. A representative of the Director-General (the Regional Director for ILO activities in Arab States) drew attention to the impressive results of ILO activities in the Arab region. There had been considerable progress in the ratification and implementation of standards, including core standards, of the ILO and much had been achieved in the programmes dealing with child labour. In reply to a question from Mr. Blondel, more could be achieved under this last-mentioned programme if it was staffed by a full-time rather than part-time post. The special programme for Palestine and the other occupied territories was directly affected by the political situation in those countries.

304. A special mission had just been sent to the Palestinian territories to assess the situation there and the ILO was actively seeking extra-budgetary resources to help fund special activities in these territories. In reply to the comment concerning relationships with the Arab organizations, a Memorandum of Understanding had been signed with the executive board of the Gulf Cooperation Council, with the Arab League and with the Arab Labour Organization. Various activities were planned for the 2002-03 biennium. A project was also under way to set up a mechanism for the exchange of information on Labour Market Information Systems between the ILO and the Arab Labour Organization.

305. The status of technical assistance programmes was closely linked to the political situation in the region. At the moment it was extremely precarious and field staff were working under difficult conditions to keep ILO programmes working. Discussions were under way to set up a special social security institution to handle reimbursement transfers from the Israelis to the Palestinians. The ILO was closely involved in this ambitious programme which, upon completion, would be of enormous benefit to the Palestinians. As a last point, he confirmed that ILO activities to promote standards and fundamental principles and rights at work in the Arab States would include issues related to freedom of association, as mentioned in paragraph 217 of the Office document.

Asia and the Pacific

306. Mr. Rampak, a Worker member, highlighted the following areas as of particular concern to the Workers: employment creation; ratification and implementation of core labour standards and implementation of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up; occupational safety and health; skills development, retraining and multiskilling; and social safety nets. Paragraph 226 of the Office document rightly stated that "the most visible event that has affected economic and social conditions within the region during recent years continues to be the financial crisis that began in 1997". Many, including the experts in international financial institutions, thought it would be over at the birth of the new millennium, but experience had proved them wrong and the economic slowdown in the United States was already beginning to affect Asian export earnings. Since electronic goods and computer components manufactured by multinational enterprises operating in export processing zones constituted the bulk of Asian exports, the closing down or relocation of MNEs to low-cost regions had seriously affected employment creation in developing economies. The fear was that the 30 million jobs lost at the height of the economic crisis in 1997 might never be replaced.

307. Paragraph 227 of the Office document discussed the establishment of the ASEAN Free Trade Area (AFTA) in the year 2003, which in real terms meant that developing countries in the Asia-Pacific region should brace themselves for globalization. It was not clear how these new developments, which included the Asia-Pacific Economic Cooperation (APEC), would affect job security and social well-being. The amalgamation of business enterprises, coupled with structural adjustment programmes in newly emerging and transition economies, were bound to have a long-lasting effect on workers' welfare in the light of inadequate social safety nets such as unemployment insurance.

308. There was a tendency to relate structural adjustment and foreign investment promotion to the creation of business venues that were free from trade union participation. The ILO should correct this state of affairs through its technical cooperation work. Paragraph 232 discussed the various strategies the ILO could adopt in transition economies to promote social protection for vulnerable groups such as migrant workers. In the light of the need for these programmes it was unfortunate to see a reduction of 2.25 per cent in social protection activities in 2002-03.

309. It was rightly mentioned in paragraph 230 that Asia and the Pacific was home to more than two-thirds of the world's 1.2 billion poor. In such a situation poverty alleviation and employment creation were the most urgent needs to be addressed, but care should be taken to see that these programmes led to an improvement of working conditions and the promotion of basic human and trade union rights. It was a little disconcerting to see in the following paragraph a reference only to employment generation for East Timor when it was clear that as a new country it would need systems of labour law and labour administration as well as new employers' and workers' organizations. Paragraph 232 briefly mentioned HIV/AIDS in the workplace, but the ILO programmes on this matter should be given a much higher profile if they were to achieve worthwhile results.

310. Weak social dialogue mechanisms were common throughout the region but it was these very mechanisms which held the key to sustainable development in Asia and the Pacific, especially in the light of the recent Asian economic crisis. A useful first step for the ILO would be to provide technical assistance through the MDTs and urge governments to implement the provisions of Convention No. 144 concerning tripartite consultation. The ASEAN Trade Union Council (ATUC) met in Jakarta two months ago to discuss with the ILO the Declaration of Fundamental Principles and Rights at Work and its Follow-up mechanism. ATUC adopted the Jakarta Declaration which, among other things, urged the

ILO and especially its MDTs to meet regularly with trade unions, employers and governments to make these monitoring and reporting systems more effective.

311. Mr. Marshall said that the Employers well understood that much of the region still suffered from the effects of the 1997 financial crisis but current economic events suggested that for some countries the situation would become even worse. The Asian Regional Conference to be held in August would give the Office an excellent opportunity to bring itself up to date with the needs of constituents. Asia and the Pacific was a vast area with many diverse needs and it was disappointing to see that the major problems facing subregions in North and South Asia were not more clearly identified for action.

312. The top priority for the Asia and Pacific region was creating an environment conducive to investment and employment creation. The promotion of the Declaration was an important part of this activity and would lead on to the ratification of standards. The proposals in paragraphs 230 and 231 deserved full support but a part of the resources should be used for the support of small and medium enterprises and for human resource management and development. The proposals in paragraph 232 concerning social protection, and paragraph 233 concerning tripartism, were quite strongly linked because expanding social protection depended quite largely on effective tripartism. The strengthening of the social partners is critical to this end.

313. The representative of the Government of Malaysia said that no other region had its member States spread so broadly across the economic spectrum. The wide disparity in terms of economic development and income was compounded by cultural and social diversities so tailor-made programmes would be almost certainly required to take full account of the social and economic fabric of the region.

314. The regional integration referred to in paragraph 227 was an economic coalition of countries to face the challenges of globalization, and aimed to enhance competitiveness in the global market through the fusion of new technologies mainly from Japan and the Republic of Korea.

315. The report was right in stating that ASEAN was vigorously attempting to enhance the human resource capabilities of the workforce in the region, and to this end its secretariat had initiated several projects to prepare the workforce for changes in the labour markets. Some projects were delayed because of financial constraints but close cooperation between the ILO Bangkok office and the ASEAN secretariat would ensure they were resumed as soon as possible. The proposal to integrate employment strategies in larger economic development policies at national and regional levels for ASEAN members deserved full support but the members of this regional group lacked the technical expertise and the financial means to ensure its completion. They would rely on technical assistance from ILO Bangkok to achieve this objective.

316. The representative of the Government of Bangladesh supported the programme for the Asia and Pacific region, particularly the programmes aimed at the issue of child labour and the trafficking of women and children. He supported also the proposals for the training and redeployment of displaced workers. His country had already ratified Convention No. 182 and was in the process of incorporating this legislation into its national law, and it would look forward to the implementation of the proposals described in paragraphs 232 and 233.

317. The representative of the Government of the Islamic Republic of Iran associated himself with the comments of the representative of the Government of Malaysia on behalf of the Asia and Pacific member States. The activities proposed for employment generation might be more effective if they could be coordinated through a high-level meeting which could focus on regional employment problems. In a similar manner programmes to improve tripartism and social dialogue might benefit from an interregional exchange of information. In his own country the benefits of the first tripartite national congress were so well received and widespread that a decision had been taken to hold a second congress later this year. Other countries in the region could also benefit from tripartite meetings of this kind and this possibility should be investigated by the ILO. An exchange of labour information among the regional member States could produce solid benefits by way of solutions to common problems. The benefits might be even greater if the exchanges were extended to other regions as well.

318. The representative of the Government of India drew attention to the comment in paragraph 230 that the Asia Pacific region was home to more than two-thirds of the world's 1.2 billion poor, with a particular concentration in South Asia. The questions of employment creation and the alleviation of poverty would be considered at the Asian Regional Conference later this year but in view of the size of the problem ILO programmes would have to be well funded and highly focused to have an impact.

319. The representative of the Government of China said that many were not aware of the sheer scale of problems facing member States in Asia and the Pacific. The region was home to almost one-half of the world's population and about two-thirds of the world's poor. In the Asian financial crisis of 1997-98 more than 25 million people lost their jobs. No other region dealt with numbers on this scale so the ILO should realize that if it was to make any impression on the problems of the region there would need to be a substantial increase in the resources available for its programmes. The top priority was and would continue to be employment creation and the eradication of poverty.

320. The representative of the Government of Japan said that the ILO would be able to deal more effectively with regional problems if it speeded up the process of decentralization started a few years ago with the solid approval of the Governing Body. Furthermore, it should devote the greatest possible share of resources to its activities in the regions and he wished to continue his Government's particular support for programmes to promote and realize standards and fundamental principles and rights at work, etc.

321. A representative of the Director-General (the Regional Director for ILO Activities in Asia and the Pacific) said that the consequences of the financial crisis in 1997 still affected large parts of the Asia and the Pacific region. The economic and political framework of many countries had changed dramatically, with economic integration in particular spreading throughout the region. For example, ASEAN was building closer cooperation with China, the Republic of Korea and Japan, and its free trade zone would open in 2003. In addition, the Asia-Pacific Economic Cooperation Forum (APEC) was expanding membership and the integration process was increasingly including social issues such as human resource development. But much more needed to be done, particularly with activities aimed at employment creation. Many ILO programmes had achieved excellent results, especially those concerned with standards and fundamental principles and rights at work, follow-up on the Declaration, child labour including trafficking in women and children, and social protection.

322. Job creation and the alleviation of poverty were major challenges for the ILO but programmes would have to be modified to take account of the wide variation in member States' circumstances. The strengthening of tripartism and social dialogue was a strategic objective that should see solid progress in the 2002-03 biennium. Problems with the ILO presence in East Timor had now been rectified and projects dealing with the aftermath of the earthquake in Gujarat were now in place.

Europe and Central Asia

323. Mr. Blondel said that the Workers endorsed the appeal made by the Office. The Workers' group would use all available means of exerting pressure, and the European Trade Union Confederation and the French, English, German and other trade union organizations would continue to collaborate as far as possible in the activities undertaken in the countries of Eastern Europe. The Sixth European Regional Meeting had identified the options available to the ILO and the principal areas on which it needed to focus. The transition period for Eastern Europe now needed to be brought to a close. The new systems needed to come into effect, and that required independent employers' and trade union organizations. The establishment of social dialogue and tripartism presupposed the provision by the ILO of technical assistance, with the emphasis on trade union independence.

324. It was interesting to note that, of the approximately 35 countries that had lost the right to vote, 15 were in Eastern Europe and Central Asia. Resources needed to be allocated to those regions.

325. The establishment of independent trade union organizations required training activities. Trade unions in Western Europe had an important part to play, sometimes through the ILO and its programmes. The organizations in question were ready to participate in the establishment of dialogue, tripartism and independent trade unions and employers' associations in order to revitalize the economies of those countries.

326. Mr. Marshall said that regional employers would encourage increased cooperation with the European Union and the application of their programmes in Eastern Europe. The stability pact for south-eastern Europe was a priority for the region with the key issues for the ILO in this regard being the promotion of freedom of association and the development and strengthening of effective and independent employers' and workers' organizations. But progress would stall unless the Regional Director's vacancy was filled soon and unless the ILO continued to support the involvement of the social partners in the implementation of stability-pact programmes. On a point related to all of the regions it would be interesting to see how the resources for the four strategic objectives were allocated geographically.

327. The representative of the Government of Denmark said that there was a continual call from constituents that the ILO do more and do it more quickly. In a world where resources were scarce it was even more important to review continually and with an open mind the ILO's priorities according to its values and principles. This meant that the ILO had to find the strength and the courage to review its objectives and how it had distributed resources to achieve those objectives. Decision-making was never easy and it could sometimes be a painful process, but if it did not embark on such managerial tasks the ILO was diluting and ignoring its responsibilities. There was a strong need to review the balance of resources allocated between the regions and within the regions, as well as the current distribution of external offices and their relative costs.

328. The Sixth European Regional Meeting of the ILO was held in December 2000. Most would know that Europe and Central Asia was one of the most diverse regions in the world, with wide disparities between the levels of development throughout the region. Western Europe had enjoyed economic growth and falling unemployment, but Eastern and Central Europe, despite some improvements in a number of transition countries, had not experienced any substantial economic growth. Many were facing unemployment and underemployment, with its attendant social implications, and both the Employers and Workers had referred to a number of other constraints such as the lack of social dialogue. The regional meeting last December found that a strong ILO response through technical cooperation and advisory services was needed within the Decent Work Agenda, and this was fully reflected in the Programme and Budget proposals for 2002-03. The task now for

the Office was to answer the demand for ILO assistance in Eastern and Central Europe in a fully responsible and balanced manner.

329. The Danish Government therefore strongly invited the Office and the Governing Body to reconsider the distribution of resources within the European region. In this context, it should be discussed whether the ILO representation in Western and Eastern Europe was balanced. In Western Europe, there were six branch offices and one liaison office, while for Eastern and Central Europe, including Central Asia, just two MDTs were expected to provide services to this entire part of the region. Regular budget activities for 2002-03 remained the same as for 2000-01 in the European region and this the Danish Government fully endorsed. However, it wished to suggest that the branch offices in Bonn, London, Madrid, Paris and Rome should be closed down and these resources reallocated for activities in Eastern and Central Europe where the demand for ILO services had so clearly been identified. This implied a reallocation of approximately $3.5 million for the biennium. The specific amount to be allocated should be determined after close consultations with the countries concerned to ensure that their main needs were addressed.

330. The Danish Government was aware of the committed ILO staff in Western Europe offices and the many different tasks they were carrying out. What it wished to draw attention to was the fact that the world had changed considerably since these offices were established, not least because of the enormous difference from the development of information technology. In the ILO context the establishment of the Internet and the ILO's development of services through the Internet were milestones. Services now provided through the use of this technology, for example, information dissemination, publications, promotional work, etc., forced a reassessment of the justification for such country representation.

331. In countries where no such national branch office existed, the national ministry responsible for the ILO performed several of these functions. In view of the quest for strategic budgeting, for a clear focus, for providing services to those most in need and for making an impact, the questions that must be asked now were how the unmet needs in Eastern and Central Europe could effectively be addressed. The proposal was made in this context and the Committee was invited to consider a redistribution of resources in line with this objective.

332. The representative of the Government of France, speaking also on behalf of the Governments of Italy and Germany, considered that major investments needed to be agreed for the countries of Central and Eastern Europe for the purposes of institutional development and the promotion of social dialogue. In transition economies, promotion of social dialogue was a precondition of stability and social justice.

333. The Government of France, as well as the Governments of Germany and Italy, did not consider that the closure of ILO offices in the countries of Western Europe was the best response to calls for an increase in activities in the countries of Central and Eastern Europe. Indeed, they had very serious reservations in that regard. The ILO offices in the countries of Western Europe played an important role in three ways. First, they provided considerable technical support in terms of hosting officials, experts and social partners from developing countries. Secondly, they had a strategic function in mobilizing voluntary contributions through canvassing. Thirdly, they fulfilled the role of contact and mediation with international, regional or subregional organizations in Europe, and indeed with global international organizations such as the OECD or UNESCO in Paris and the FAO in Rome. For example, the ILO's Office in Rome had played a very important part in the preparations for the G8 Conference in Turin.

334. The speaker added that he was calling not merely for posts to be maintained in certain ILO offices, but for job creation in other countries.

335. The representative of the Government of the Netherlands asked again about the possibility of streamlining and simplifying the field structure as a whole in all the regions and replacing the present different types of offices with just one type, to simplify the field structure. A response from the Office would be appreciated.

336. There was one further point to make concerning the regions. The Director-General had pointed out in his introductory statement that resources were scarce and increases for the regions were not possible. It was therefore even more important to place those scarce resources where they were needed most and where they had the strongest impact. Looking at the European region, it was clear that funds presently spent by the ILO in the Western European Branch Offices in London, Bonn, Paris, Madrid and Rome would have a stronger impact if utilized for activities in Central and Eastern Europe and Central Asia. At present these regions had but two MDTs, in Budapest and in Moscow, covering a region enormous in size.

337. The field structure of the ILO, of which these Western European offices were part, had a natural link with the delivery of technical assistance. The point had been raised on several occasions that the main aim of ILO offices was technical assistance work. In Europe, this work was carried out almost exclusively in Central and Eastern Europe. At the recent European Regional Meeting, the gap between the needs of the Western and Eastern parts of Europe became painfully clear. In such a situation, was maintaining branch offices in five neighbouring countries still justified? Clearly, there were historical reasons, but the world had changed and the ILO with it. Over the years offices were kept open in seven Western European countries against two at present in Central and Eastern Europe and Central Asia. She associated herself with the statement made by the representative of the Government of Denmark and therefore proposed that the resources for all European offices except Ankara and Brussels be transferred to Central and Eastern Europe and Central Asia and that the five aforementioned branch offices in Europe be closed.

338. The representative of the Government of the United States reiterated the importance it attached to ensuring that all elements of the ILO, both at headquarters and in the field, were working cooperatively towards the same goals, and ILO resources should be used as efficiently and effectively as possible towards that end. Without any preconceived notions about the outcome, she therefore urged the ILO to conduct a review of its current field structure so as to ensure consistency in programme activities with the objectives of the Organization, and also to ensure that the distribution of field offices was the most appropriate, both in terms of cost and in terms of the contribution to the work of the Organization.

339. The representative of the Government of New Zealand said that the representative of the Government of Denmark had put forward a most interesting proposal. He, together with several other speakers, had stressed the need for re-examination of the role of the regions in delivering upon the strategic objectives in the field. As the Director-General himself had remarked, the level of resources available was part of the constraint on redeveloping regional capacity. Given the current priorities of the Organization, it was indeed hard to fathom why there were so many ILO offices in Western Europe. The cost of European offices would be quite significant, even excluding the cost of Geneva headquarters and the proposal therefore offered an opportunity to free up resources which could be used as a part solution to the budgetary constraints on the Director-General. If the intention was to ask for support from the Governing Body in order to begin a robust review of the field structure, he would support it.

340. The representative of the Government of Portugal said that the Danish proposal was intended to tackle the problem of inertia in large organizations by showing that it was easy to establish a new structure but almost impossible to get rid of it. Portugal did not, however, wish to give an opinion on the content of the proposal, but advocated a comprehensive exercise of evaluation of the Organization's structures, especially with regard to the cohesiveness of its field structures.

341. The representative of the Government of Canada agreed that the representative of the Government of Denmark had put forward a most interesting proposal. It was Canada's understanding that the closure of the ILO office in Ottawa almost a decade ago represented the first step in a process of review of such offices but since then the process appeared to have stalled. Of course change for its own sake was not necessarily a good thing, but it was true that the world had moved on and it might be an appropriate time now to carry out a general review of the regional offices in terms of cost, so that constituents could assess the value of this type of expenditure against the priorities which had been identified and agreed upon. This would help to determine whether the continued existence of a particular office was the most cost-effective way of realizing the priorities of the ILO. It also underlined the value of the new budgetary approach which enabled an assessment to be made of the value of an activity and to ensure that expenditures were commensurate with its relative priority.

342. The representative of the Government of the Russian Federation expressed thanks to the representatives of the Governments of Denmark and the Netherlands for their proposals to redistribute resources from Western Europe to Eastern Europe and Central Asia. It was a serious initiative and deserved careful consideration by both the Director-General and the Governing Body. During the course of the general discussion, speakers had referred to the need for an appropriate reflection in the budget of the many programme tasks of the Organization that concerned the countries of the commonwealth of independent states (CIS). In practical terms, almost all the field programmes for this region were carried out in Eastern Europe and countries of the CIS and it was important to protect the financing of these programmes. In recent years, savings had been found in administrative overheads in headquarters, but as many speakers had remarked, savings were equally likely elsewhere in the European region as well. The Director-General should carefully consider what level of resources were necessary to carry out the programme and budget, including a special review of budgetary resources needed for the programmes proposed for countries of the CIS.

343. Mr. Marshall supported the suggestion from the representative of the Government of the United States that a review should be carried out of the whole of the ILO field structure.

344. Mr. Blondel explained that he was in a difficult situation because apart from being a Workers' representative he was also French. He considered that the important thing was to define requirements precisely, and then to ensure that those requirements could be met, in particular by ensuring that adequate budget resources were allocated. The Workers would endeavour to ensure that their ways of thinking and action were able to take root in Eastern Europe; that was one of the functions of the ILO's branch offices, where they existed. The ILO's Office in Paris had made it possible to establish cooperation between the ILO and the French Ministry of Labour. France was naturally inclined, for historical reasons, to favour bilateral arrangements, and the ILO's Paris Office had helped the situation to evolve. He emphasized that, according to his information, the Paris Office was not funded entirely by the ILO, and the French Government had earmarked some funding for the premises. For the Workers, the closure of the office would be symbolic. Nevertheless, it [illegible] countries, since its mere presence provided a certain guarantee to workers, even if they were unaware of the Organization's existence. He was ready to open a debate on the issue within the context of a much broader analysis.

345. A representative of the Director-General (the Deputy Director for ILO Activities in Europe and Central Asia) thanked the European constituents who contributed to the success of the Sixth European Regional Meeting, the conclusions of which reaffirmed that the ILO was headed in the right direction. These conclusions would reinforce the scope of three main activities in Central and Eastern Europe and Central Asia until the end of 2003.

346. The first activity was the consolidation of democracy in the CIS, by strengthening the autonomy and effectiveness of the social partners, by providing assistance in the adoption of adequate labour legislation, and by the ratification, implementation and reporting on international labour standards. The ILO was closely collaborating with the IOE and the ICFTU in this respect.

347. The second activity was the introduction of a social dimension to the Stability Pact, which encompassed three major components: employment and vocational training; labour legislation, social dialogue and tripartism; and safety and health. Three tripartite working groups would be convened very soon and should produce positive results. The strong support provided by the IOE and ETUC in this field was paramount.

348. The third activity was the elaboration of programmes of cooperation with each accession country, within the framework of the EU enlargement process. Its objective was to define how the ILO could best serve these countries in aligning with the *acquis communautaire*. Recently the ILO and the Employment and Social Affairs Commission of the EU had initiated a partnership approach to tackle issues of common concern through research and the organization of joint seminars.

Governance, support and management

349. Mr. Blondel noted that, throughout the discussions, the Workers and certain Governments, had advocated putting the zero growth budget on hold. The exchange rate and the scale of member States' contributions would be the principal factors in determining the adoption of the Budget by the Conference in June. In that context, he asked whether the Governments that had supported a zero growth budget could now undertake to maintain the Budget at the same level in dollars as the previous one which, if the exchange rate did not change, would be tantamount to an increase of close to $13.5 million. Such a move would demonstrate their willingness to provide the ILO with the resources it needed. The Workers considered that a zero growth budget with a provision of $7 million to cover increased costs was the minimum required.

350. Mr. Marshall said that the Employers had two final questions. In paragraph 6 on page 69 of the English document, reductions had been proposed under Relations, Meetings and Document Services. In principle, reductions in overheads were welcome but these services were crucial for the smooth running of the Office and they played an important part in organizing the work of the Governing Body and its committees. The Employers would simply like an assurance that this service could continue to meet the heavy demands placed on it. The second point concerned paragraph 79 on page 80 in the English text, concerning

351. The Director-General then clarified some of the issues raised during the course of the discussion. The first concerned the issue of zero growth. The new strategic budgeting system was now in place and it was encouraging to receive so many expressions of support from members of the Committee. There was still much to be done and this would be achieved through successive refinements to the budgetary process in the years ahead. As always, the Office would welcome comments and suggestions from Governing Body members that would help to improve the budgetary process further.

352. It was instructive to look separately at the expenditure and income elements of the budget. It was natural that constituents should call for more expenditure on activities of particular priority to them. While extra-budgetary funding was uncertain, that was not a reason not to accept it when regular budget resources were insufficient. It was clear that the demands made at the ILO by constituents were very much greater than the resources available.

353. It was not so easy to synthesize the comments concerning budgetary income. Many speakers had called for zero nominal growth for 2002-03, which for the budget would mean a reduction in real terms of about $7 million. Of course, the Office would search for efficiency savings and spending cuts, but there was a limit to what could be achieved. In fact, insisting on a zero nominal growth budget in a sense diminished the value of the Committee's discussion over the last three days because it changed the focus of debate away from what members wanted. Instead, the object of decision became merely what would be cut.

354. Zero nominal growth was also unsatisfactory as a management tool because it was a statement of principle unrelated to the process or the product under consideration. It sent all the wrong messages because, no matter what a manager wanted to do and no matter how well it was justified, he or she was blocked by an immutable position of principle. The position was all the more unfortunate in the light of the many changes that had taken place in the Office over recent years. The process of change had a cost of its own: quite apart from immediate financial costs, the process of change brought with it the costs of disruption, compromise and readjustment.

355. There was also the danger of double standards in a political sense. Another international organization undergoing major restructuring had been allocated substantial resources to carry it out, because it was acknowledged that change was not cost-free. Similarly, there were a number of other organizations which had received or were expected to receive increased resources. It would be unfair for the ILO to be treated differently.

356. The Director-General recalled a statement from his introduction to the Programme and Budget proposals for 2000-01: "In a world of competition for limited public resources, cost-effectiveness, impact and change are crucial to the challenge of explaining why the ILO should be funded." The biggest bureaucratic mistake, so often repeated, was to take funding for granted. In the long term, only relevance and effectiveness ensured success and only success ensured adequate funding, but even then the realities of financial constraints tended to prevail. It was for the Governing Body and then the Conference to appraise whether the financial constraints of yesterday needed to be those of today. It was not an easy decision, especially under changing economic conditions and at a time when assessed contributions of larger member States were being reduced.

357. In the end, the decision depended on what sort of institution the constituents wanted the ILO to be, and on what collective commitment they were prepared to make to its programme of work.

358. At this point the Committee concluded its discussion of the Programme and Budget proposals for 2002-03, and adjourned to enable the Director-General to reconsider his proposals in the light of the various views expressed by its members.

Resumption of discussion

359. When the Committee reconvened on 22 March, the Director-General gave his reply to the discussions of the previous week concerning the Programme and Budget proposals for 2002-03. The text of the Director-General's reply is reproduced in Appendix II.

360. Mr. Marshall, on behalf of the Employer members, said that their objectives during the discussion on the Programme and Budget proposals for 2002-03 were threefold: first, to develop a programme to a set of established priorities; second, to ensure that the Office had sufficient resources to deliver that programme according to priorities established by the Governing Body; third, to ensure the continued careful use of the funds available to the ILO, continuing the search for savings, the management of change and the continued development of its strategic position. The Director-General's proposals showed that the constituents' priorities had been taken into account. The Employers were in favour of the amended proposals but they would again reserve their final position until the Governments had had the opportunity to express their views.

361. Mr. Blondel explained that the Workers could not welcome the Director-General's new proposals. Nevertheless, some of their concerns have been taken into consideration, even if the proposed solution was not necessarily the one which they would have preferred. With regard to the SafeWork programme, the Director-General had proposed an additional allocation from 2001 onwards and had undertaken to continue to give a high priority to that programme. On the other hand, with regard to the substance, the Workers wanted the ILO to remain the point of reference in the area of, and to remain capable of, responding to all the problems that arose. They were therefore gratified that the Director-General expressed his concerns, even if they would have preferred him to go somewhat further.

362. In conclusion, he said that the proposals, as modified, went some way towards meeting the Workers' wishes. Some of those proposals were satisfactory, some were not, and others were in between, but the speaker hoped that a consensus could be reached on the proposals as a whole.

363. The representative of the Government of Algeria explained that his country's delegation had already drawn attention to the problems associated with zero growth which deprived the ILO of the resources needed to realize its objectives.

364. He said that he supported the Director-General's proposal for zero real growth, and also thanked the Director-General for the efforts that had been undertaken to combat HIV/AIDS in the workplace.

365. The representative of the Government of Nigeria expressed appreciation for the way in which the Director-General had responded to comments by the Committee. The proposals included a partial contribution for cost increases and were therefore not based on zero nominal growth as requested by some member States, but in view of the importance of the ILO's work to developing countries, he asked for all members to give their full support to the amended proposals.

now been strengthened and he expressed support for the Director-General's amended proposals.

367. The representative of the Republic of Korea also expressed appreciation for the amended proposals but in view of the economic situation in his country at the moment said that he could not support the proposals unless they reflected zero nominal growth for the next biennium.

368. The representative of the Government of Italy recalled that his Government was favourable to zero real growth, and considered that it was of paramount importance that the ILO should fund its priority activities from the ordinary budget. He thanked the Director-General for initiating the campaign of savings in the Organization and endorsed approval for zero real growth.

369. The representative of the Government of Portugal recalled that, in the interests of consistency with its own national budgetary policy, his Government was favourable to zero nominal growth in the budgets of international organizations. However, the Portuguese delegation was aware of the increased demand for the ILO's services and of the potential consequences of the inflexibility of that policy, as well as the risks associated with increased extra-budgetary contributions. For that reason, the Government of Portugal would not oppose the presentation to the International Labour Conference of the Director-General's amended budget proposals for 2002-03.

370. The representative of the Government of Peru said that the Director-General had taken careful account of the views expressed by members and he expressed support for the amended proposals now put forward.

371. The representative of the Government of Malaysia hoped that the cost increases that the Director-General had agreed to absorb would not impair the working of the Office. He supported the new proposals just put forward by the Director-General.

372. The representative of the United Arab Emirates said that the Director-General had taken full account of the views expressed by members and he would therefore support the amended proposals now before the Committee.

373. The representative of the Government of India was pleased to see an increase to activities under Strategic Objective No. 2 and would support the amended proposals in this regard put forward by the Director-General.

374. The representative of the Government of Pakistan said that the amended proposals reflected the concerns of the Asia and Pacific member States and he therefore expressed support for the amended proposals put forward to the Committee.

375. The representative of the Government of Namibia appreciated the reasons for zero nominal growth even though in local currency terms this still meant an increase for many developing countries. As mentioned by an earlier speaker, in developing countries it was a question of trade-off between their needs for ILO services and their ability to contribute to the ILO budget. After looking carefully at the Director-General's amended proposals and the reasons behind them, he was prepared to support them as a one-off measure. The debate between zero growth and real growth was extremely complex and in future it would be useful to have more information about the implications about budgetary growth on the way the ILO worked, and in particular the effect on efficiency gains and the level of

376. The representative of the Government of Panama expressed appreciation for the work of the Director-General and supported amended proposals now before the Committee.

377. The representative of the Government of France welcomed the manifest willingness of the Director-General to protect the resources allocated to occupational safety and health. The Committee's discussions showed that the new budget presentation facilitated meaningful discussion on matters pertaining to overall strategy. The Government of France was aware of the importance of the requirements which the ILO was required to satisfy in different areas, and considered that the ILO's strategic objectives required stable and sustainable funding. It therefore favoured a budget that would remain stable in real terms, and the new proposals came close to meeting that requirement. The speaker endorsed the remarks made by the representative of the Government of Portugal concerning the need for a balance between budgetary and extra-budgetary funding.

378. The representative of the Government of Benin considered that the Director-General's new proposals took into consideration the concerns that had been expressed during the previous week, and therefore endorsed them.

379. The representative of the Government of Sudan observed that the Director-General had responded fully to comments by the Committee and he expressed support for the amended proposals now under consideration.

380. The representative of the Government of Burkina Faso expressed the support of his delegation for the proposals, which constituted a compromise solution.

381. The representative of the Government of Gabon strongly endorsed the amended proposals for 2002-03 presented by the Director-General.

382. The representative of the Government of the Russian Federation also expressed appreciation for the Director-General's amended proposals but could see no justification to deviate from the policy of zero nominal growth.

383. The representative of the Government of the Dominican Republic expressed support for the amended proposals now before the Committee.

384. The representative of the Government of Trinidad and Tobago thanked the Director-General for his comprehensive response to the many concerns raised during the course of discussion, and in particular for his efforts to cut expenditure but at the same time respond to demands for programme increases, especially in developing countries. The least this Committee should do was agree to zero real growth, but she was prepared to support the amended proposals just put forward by the Director-General.

385. The representative of the Government of the United Kingdom expressed appreciation for the Director-General's efforts to meet members' concerns about strategic budgeting and to divert more resources to employment activities. The amended budgetary total was less than the original, clearly a move in the right direction. Although the absorption of cost increases was not painless it was a way to divert resources to priority activities. The amended proposals were essentially for zero nominal growth plus $5 million, but a better approach would be to recommend a budget based on zero nominal growth, and to consider the extra $5 million on the basis of further information to be supplied by the Director-General. At the moment he could not agree to the Director-General's amended proposals.

387. The representative of the Government of the Islamic Republic of Iran thanked the Director-General for the amended proposals now under consideration. The call for a zero nominal growth budget from a number of members would have impressed on the Office the need for more efficiency savings, but the amended proposals clearly reflected the views expressed in the earlier discussion. He expressed support for the amended proposals under consideration.

388. The representative of the Government of Saudi Arabia expressed full support for the Director-General's amended proposals.

389. The representative of the Government of El Salvador was pleased to see an increase in resources for employment activities and he expressed support for the amended proposals now before the Committee.

390. The representative of the Government of China also supported the amended proposals put forward by the Director-General.

391. The representative of the Government of Libyan Arab Jamahiriya said that the amended proposals responded well to comments in the Committee and he therefore expressed his full support for them.

392. The representative of the Government of Guatemala joined previous speakers who had expressed support for the amended proposals now under consideration.

393. The representative of the Government of the Netherlands spoke on behalf of the Governments of Denmark and Switzerland, members of the Governing Body, and as well on behalf of Finland, Greece, Norway and Sweden, who wished to be associated with this statement. During the general introductory statements to the budget, as well as during the discussion on strategic objectives, cross-cutting issues and the regions, many speakers had raised the issue of lack of resources in many fields, although a majority seemed to believe that extra-budgetary resources should not replace regular budget resources. At previous sessions of the Governing Body the great majority of members had stressed that important objectives such as IPEC should be allocated resources from the regular budget. The Director-General had responded to this clear request and done exactly that, so the Governing Body should now play its part. It had asked for a clear policy and strategic approach towards the implementation of decent work; now it had it. It had asked for a resource-based budget: now it had it. It had asked for a new structure within the organization; it was already in headquarters and would follow in the field. All of these were conditions, more or less, to have trust in the ILO and its management; it now had that trust.

394. The ILO, like many other international organizations, had been dealing with a zero growth budget for some years. But now circumstances had changed. The difference between zero and nominal growth and zero real growth in the ILO for 2002-03 was $7 million, which was only 1.5 per cent of the budget total although it could still have a serious effect on programme activities.

395. The group felt strongly that the Governing Body should be fair and consistent. It had asked the Office to act on many issues and the Director-General and his colleagues had responded. Now, the Director-General had come back to the Committee with a perfectly reasonable set of proposals. The group appreciated his efforts to find a compromise and move the process forward and would join previous speakers who had expressed themselves in favour of these new proposals.

396. The representative of the Government of Cuba appreciated the Director-General's efforts to absorb cost increases where possible and to meet the requests of those members that had spoken that employment creation be the top priority. She urged the Director-General to investigate again the possibility of efficiency savings and in the meantime Cuba would reserve its view on the budget level until the matter was discussed at the Conference.

397. The representative of the Government of Brazil said that its position was now more difficult because of changes to the scale of assessments and it could not approve the budget at the revised level. It would express its view at the Conference in June.

398. The representative of the Government of Germany expressed appreciation for the revised proposals, which had not only been reduced from the original level but also took into account many of the observations made during the course of discussion. However, at present he was not able to express himself in favour of anything but a zero nominal growth budget. Recent biennia had resulted in cash surpluses which were used for various purposes instead of being refunded to member States in accordance with the Financial Regulations. Germany was worried by this trend and also the possible consequences of this practice for other international organizations and would therefore reserve its final position until the Conference in June.

399. The representative of the Government of New Zealand, speaking also on behalf of the Government of Australia, appreciated the Director-General's efforts to respond to issues and concerns raised during the budget discussion but would prefer a zero nominal growth budget to be proposed to the Conference. The Director-General was to be commended for his efforts to identify efficiency savings but there was no evidence that the ILO had reached maximum efficiency and they were unable to accept the amended proposals.

400. The representative of the Government of Canada appreciated the amended proposals put forward by the Director-General. As the strategic budgetary process evolved it should provide a sharper focus to the funding of priority programmes but it should also provide the ability to decide where to reduce and even abandon activities. This was particularly relevant under a zero nominal growth regime, the starting point for Canada in budgetary discussions. He associated himself with previous speakers who had asked for a zero nominal growth budget to be proposed to the Conference.

401. The representative of the Government of the United States appreciated the Director-General's successful efforts to introduce a strategic approach to the budgetary process, a move that would surely result in increased and enhanced programme delivery. She continued to believe that programme goals could be achieved within a zero nominal growth budget and that the highest priorities could be accommodated through the identification of additional operational efficiencies and the absorption of cost increases elsewhere. A zero nominal growth budget should therefore be proposed to the Conference.

402. Mr. Marshall said that the Employers had listened very carefully to the views expressed by Committee members and in view of the clear numerical majority in favour of the Office's amended proposals and in the light of the Employers' previous comments, they supported both the Director-General's amended proposals and the point for decision in the Office paper.

403. The representative of the Government of the United States said that her Government could not join consensus in approving a budget level proposal of $472 million, and she sought confirmation that the term "provisional programme level" contained in the point for decision connoted both the programme level proposal of $472 million itself and the time the final budget was adopted in June. This understanding was confirmed by the Office.

404. The Chairperson said that from the discussion there was a clear majority in favour of the amended proposals put forward by the Director-General and the Committee could now proceed to the point for decision. Before doing so, he summarized the further discussion and confirmed that the statements made by members during the course of the discussion, including the reservations that had been expressed, would be reflected in the report of the meeting. He pointed out that, in accordance with the provisions of article 6.2 of the Financial Regulations, the Director-General was required to submit to the Conference the budget estimates as approved by the Governing Body. As described in the decision paragraph, the budget estimates were provisional at this stage and a final decision on the Programme and Budget proposals for 2002-03 would be taken by the Conference at its 89th Session in June this year.

405. ***Subject to the positions taken, and to the reservations expressed during the discussion, the Committee recommends:***

(a) that the Governing Body recommend to the International Labour Conference at its 89th Session (June 2001) a provisional programme level of $472,488,505, estimated at the 2000-01 budget exchange rate of 1.53 Swiss francs to the US dollar, the final exchange rate and the corresponding US dollar level of the budget and Swiss franc assessment to be determined by the Conference;

(b) that the Governing Body propose to the Conference at the same session a resolution for the adoption of the programme and budget for the 68th financial period (2002-03) and for the allocation of expenses among member States in that period in the following terms:

> ***The General Conference of the International Labour Organization, in virtue of the Financial Regulations, adopts for the 68th financial period, ending 31 December 2003, the budget of expenditure for the International Labour Organization amounting to $.......... and the budget of income amounting to $.........., which, at the budget rate of exchange of .... Swiss francs to the US dollar, amounts to .... Swiss francs, and resolves that the budget of income, denominated in Swiss francs, shall be allocated among member States in accordance with the scale of contributions recommended by the Finance Committee of Government Representatives.***

Geneva, 27 March 2001.

(Signed) D. Willers,
Reporter.

Point for decision: Paragraph 405.

Appendix 1

The Director-General's introduction to the discussion of the Programme and Budget proposals for 2002-03 and the Implementation Report for 2000

Thank you Mr. Chairman,

The first time I read an ILO programme and budget, I had an instinctive feeling that improvements were possible. The true strengths of the Organization, its staff and the Office as I have come to appreciate them were buried under the weight of the budget document.

In my consultations during the transition period, it became clear that you wanted a change. As a result, I proposed for your consideration a number of innovations in the programme and budget process. These changes started with the Programme and Budget for 2000-01. That budget introduced the four strategic objectives and the reorganization and streamlining of the Office around those objectives.

It set up InFocus programmes to provide visibility, energy and critical mass. It established gender as a cross-cutting issue to ensure adequate attention to gender equality issues in all ILO activities. And it included the first attempts to be clear about the operational objectives, indicators and targets against which our performance can be measured. It also introduced development more clearly as a mainstream objective. As the first ILO Director-General from a developing country, I was particularly sensitive to that issue. However, that first budget was merely a start to our efforts to introduce strategic budgeting.

Last November, this Committee addressed two points on which progress was essential. Through your deliberations and consensus on the Strategic Policy Framework for 2002-05, you provided the strategic foundation on which budgets could be built. At the same time, you received detailed information on the indicators and targets that will be used to measure performance for the 2000-01 biennium.

Today, I have the privilege of introducing two documents that carry us still further towards performance-based budgeting and management. The first document contains my Programme and Budget proposals for 2002-03. This document attempts to achieve three goals:

- *First, improved accountability for performance.* My colleagues have devoted considerable effort to specifying indicators of performance that are clear, measurable and gender-sensitive, targets that stretch our ambitions, and practical strategies that make the achievement of those targets a realistic goal.
- *Second, greater transparency.* You have in fact received two budgets. The first is organized according to the strategic and operational objectives. It makes clear what resources are proposed to achieve these objectives. For the first time, it integrates ILO action under both the regular budget and extra-budgetary funding. The second budget is operational. It is organized according to the structure of the Office, and provides the traditional tables that enable you to see who is doing what, and with what resources.
- *Third, greater coherence.* The proposals follow the Strategic Policy Framework approved by you, in emphasizing the need to use the Decent Work Agenda as a means to ensure that the ILO message is consistent, that it integrates concerns across the strategic objectives and responds to the diversity of regional needs.

In producing the proposals, I also kept in mind that you wished to have a document that was available early and that would be easy to discuss. This set of proposals is almost exactly one-fourth

Let me turn now to a few of the features of the proposals.

I would like to begin with a few points about our work in the regions. The thrust of ILO action is in our member States. We are guided by service to our constituents. It is delivered to a large extent through our field services. It is not easy to strengthen ILO action in the regions under zero growth constraints. Still, I have endeavoured to make constructive proposals.

First, there is the creation of decent work teams. I have held wide consultations on these teams. While there is enthusiasm for the key notion of stimulating more technical synergy and greater policy integration in the regions, you have also raised potential problems. On the one hand, there is the danger of an additional layer of management. On the other, there is the need to enhance the delivery of technical services by MDTs.

I believe we can deal with these questions by making MDT Directors responsible for developing a greater knowledge base how to put the Decent Work Agenda into practice in each region. In this perspective, the team would consist of the Regional Director who would head it and the MDT Directors in each region, supported by a maximum of two Professional staff.

The decent work teams will be responsible for improving collaboration with headquarters, for strengthening work planning and implementation at regional level, for organizing contributions to decent work operations and for stimulating networking among regional staff. It is expected that this will permit to reinforce the critical mass throughout the Office and make it easier to develop cooperation among regions.

A second point that will affect our regional operations concerns the placement of child labour specialists in the regions. We need to further decentralize IPEC, and to integrate its operations and procedures into the regular ILO structures.

A new programme of special interest to the regions provides operational support to decent work initiatives that bring together work in the different sectors of the Office. It will be a major contribution to the development of innovative integrated approaches to decent work designed to be attractive to donors and useful to recipient countries. Particular importance will be given to employment and enterprise creation.

This programme is directed at improving our capacity to make a difference at country level, and to connect our work to the poverty-reduction and human-development strategies of the World Bank and UNDP.

In addition to work in and for the regions, there are many proposals that are new or that expand existing work of the highest priority. These include:

- The global programme on HIV/AIDS which was requested by the Conference.
- The struggle against child labour.
- The ILO Declaration on Fundamental Principles and Rights at Work.
- Innovations in standards policy.
- Evaluations of four InFocus programmes.

You have seen in the programme and budget proposals that I have restricted them to zero real growth. Thus I have proposed adding to the base 2000-01 budget level an amount of some $7 million or 1.5 per cent of the base figure to cover unavoidable cost increases. To do otherwise would result in a reduction in the substantive work of the Office. In view of the growing needs of our constituents, I am far from comfortable with this limitation on our action.

To find resources for the highest priorities within zero real growth, I have turned first to savings under administrative headings. These amount to $3.7 million. Human resource development and financial services have increased by a total of $0.5 million. We will continue to make every effort to achieve greater efficiency, for example through the investments made possible by the Information Technology Systems Fund.

However, at some point cost-cutting in these areas harms our overall effectiveness, and makes it difficult to offer the same levels of service. At the same time, we need to invest more in modern human resource development policies, in particular staff training. The present situation places limitations on our work on knowledge management, communications and the Internet and other improvements in services.

The regions, despite the emphasis they deserve, have been left at the same real resource level. I am concerned that the regions may not have the staff required to achieve our goals and to improve our delivery of technical cooperation. I am therefore exploring, in consultation with the Executive Directors and Regional Directors, measures that can place more staff in the field.

The fall in extra-budgetary resources for employment resulting mainly from the situation in UNDP is worrisome. It has produced a reduction in the employment operational budget, but not in the strategic budget. However, it is clear that cross-cutting programmes, and in particular the new programme on operational support to decent work, will have large employment components. The contribution of headquarters to work on employment will therefore not fall in the aggregate. Despite the constraints of zero growth, I plan to continue giving employment the importance it deserves. You will have noted that we are planning to convene a donors' conference before the end of this year to seek resources for our employment programme.

It may be possible to overcome some resource constraints through extra-budgetary resources. The proposals identify areas where additional extra-budgetary resources must be found if we are to reach our potential impact. I wish to particularly highlight in this respect our new programme on HIV-AIDS in the workplace. I would also like to thank those member States who have shown increasing generosity in supporting our action through extra-budgetary funding. The greater flexibility in the use of funds that some donors have introduced has also proved to be of great value. However, we have not yet found a fully satisfactory solution to the regular budget support that inevitably must accompany extra-budgetary action.

Mr Chairman,

There is a related document before this Committee, on programme implementation in 2000. This document also includes a number of innovations called for by this Committee.

Reporting on programme implementation is the key to the Office's accountability for performance. The report before you is a first attempt to show what has been accomplished in terms of real outcomes in member States.

The first thing I would like to say about this report is that because it is about impacts, it is really about the performance of our Organization, not merely the performance of the Office. Without the efforts of our constituents, there would have been no ratifications or policy changes, no strengthened capacities or new institutions. I therefore would like to express my thanks for the dedication and hard work of our constituents, who are the necessary partners in effective performance.

The ILO is but an instrument in your hands. It is your own decision to move forward at the national level, your consensus-building capacities and the ownership of your policies that are key to success.

However, while the constituents play the central role, the Office remains fully accountable to you for our activities. This report enables you to judge us on the effective impact of our action.

You will see that we have been specific about the member States where we believe progress has been made. This permits you to provide feedback on whether our claims are accurate.

It is entirely appropriate that you will discuss this document before considering the programme and budget proposals. This will permit you to discuss past performance and future plans in sequence, thus "closing the loop" in the programming cycle. You will receive next March a report on implementation for the full biennium. The conclusions reached in this document will no doubt influence the preparation of the Programme and Budget proposals for 2004-05.

A joint reading of the programme and budget proposals and the programme implementation report has additional advantages. It is difficult, and often inaccurate, to specify in advance the exact geographic dimensions of the ILO's action. The programme and budget proposals, which are developed more than a year before work starts in a biennium and more than three years before it is finished, give little information on particular member States.

On the other hand, outcomes and impacts are stated in the programme implementation report in terms of specific countries and regions. It is thus possible to see the concrete ways the proposals are translated into action.

We have already started work directed at ensuring that the performance accountability built into the programme and budget proposals will be reflected in work planning and management of implementation throughout the Office. This work planning develops in detailed and concrete ways the outputs, activities and resources required to meet the objectives and targets established in the programme and budget. An important component of this work planning is joint programming undertaken by headquarters with the regions. Through improved implementation reporting, we will provide you with detailed information on the results that are achieved.

Last week we celebrated International Women's Day in ways that showed how much we can do worldwide to further promote gender equality. The two documents before you demonstrate our commitment to increasingly visible action on gender equality under all strategic objectives. In the programme and budget proposals, you will find that more operational objectives, performance indicators and targets are now gender-sensitive and that more strategies than before pay adequate attention to gender equality issues or include women-specific action. The implementation report gives a clear picture in terms of what has been achieved with regard to gender equality issues during the first year of programme implementation.

In closing, I would like to say that our efforts to improve the budgeting process are far from finished. We have much to do to ensure that performance is a part of the ILO culture in all programmes and units, and in all regions. The internal management arrangements, information and training, including on evaluation, that are necessary to improve programme implementation are far from complete. I anticipate extra-budgetary funding for an ambitious programme of training on these issues. Your reactions and advice on the substance and form of these two documents will be most valuable in the continuing process of improving the budgeting process and, as a result, our effectiveness.

Our debate during this session will conclude with a proposed resolution for the adoption of the programme and budget for submission to the International Labour Conference. In June, the level of the budget will be adjusted based on the US dollar/Swiss franc exchange rate prevailing at that time. At today's rate of exchange, this would mean a nominal decrease in the budget of $13.5 million dollars.

I look forward to engaging in discussion with you over the coming week on these two important programming documents.

Let me finalize by sharing some thoughts on some of the challenges that we will be facing as an institution during the implementation of this budget.

Firstly, the need for the ILO to play its role in the globalization debate will intensify. Demands on us will grow. Our relevance will be tested. We must acknowledge that the old images of a "toothless" ILO continue to surface around us from time to time. We will have to demonstrate the strength of our ideas and institutional capabilities. Some will hope that we can help bridge the gap between Porto Alegre and Davos. In my own experience, talking to people involved in the protest movement against globalization, I have found that the main thrust of the Decent Work Agenda responds to many of their worries. At the same time, in talking to many business leaders, they see in the Decent Work Agenda a space where private initiative and entrepreneurship can contribute to expanding the benefits of globalization to more people. Developing well this strategic positioning will place heavy responsibilities on our shoulders, but also bring enormous opportunities.

Secondly, our knowledge base will be put to the test as never before. What we stand for, what we know, our values and our technical capacities will have to deliver sharper and sharper policy advice. Keeping up with change – analytically and intellectually – will determine our influence. More still we will need not only to react well, but more importantly, to understand well the forces at play and the future in the making while events can still be shaped and oriented. We must have the ambition to be and be perceived to be the principal knowledge and know-how source of policies related to the world of work in the beginning of the twenty-first century. The competition is strong but having headed the Office for the last two years, I have no doubt we can achieve it, provided we have a strong and cohesive tripartism in the Governing Body and an increasing sense of team play within the Office.

Thirdly, it is so clear that our mandate, our issues, the questions that the ILO cares for are in the heart of politics and in the heart of family life. We are connected with the reality of people's lives as few other international organizations are. And yet, as this debate will show, there is an extraordinary disproportion between the extent of our mandate and the limitations of our resources. This is one of the main reasons for the need to be strategic. Of course, we would all feel better if we could be an all-purpose store that can respond to all the demands on us. But we are not. And we cannot escape making choices and fixing priorities. This is what good stewardship is all about.

Thank you.

Appendix II

The Director-General's reply to his PFAC discussion of the Programme and Budget proposals for 2002-03

Last week, this Committee held an important and informative discussion of the Programme and Budget proposals for 2002-03. The rich debate provided guidance to my colleagues and myself on a large number of vital issues. Before anything else, I would like to thank you for the seriousness of your approach to the work of the Organization and the Office. We will benefit from your views in many ways. As I have often said the existence of a deep sense of partnership between the Governing Body and the Office in discharging our distinct responsibilities is a major key to the success of the ILO.

This Committee made good use of the strategic information in the proposals to provide guidance. For example, Mr. Warrington, speaking on behalf of the IMEC governments, referred to the progress that has been made in results-based budgeting and noted that the shifts of resources that were proposed are in line with IMEC priorities.

At the same time, many comments related to the need for continued improvement in strategic budgeting. This is natural since in the ILO context we have set this process in motion only in the previous budget. But as we move forward we will draw on our collective experience to enhance and sharpen it.

I would like to refer, in particular, to four key points. First, you asked for more contextual and baseline information to permit an understanding of why the targets were set at particular levels. Secondly, you identified weaknesses in the logical links between certain objectives and indicators. Thirdly, you asked questions about how progress along the indicators would be measured, and specifically how qualitative dimensions would be taken into account – an issue that I consider particularly important.

Finally, you asked questions about the ways that work planning would ensure a coherent response to the objectives, indicators and targets. This was important in terms of performance at programme and individual level, in terms of the links between sectors at headquarters and, most importantly, in terms of joint action involving both headquarters and the field.

We are all aware in this Committee that we have already placed extensive programming demands on our colleagues over the past two years. We have developed the Programme and Budget proposals for 2000-01 and 2002-03 as well as the Strategic Policy Framework for 2002-05. We have developed and then revised indicators and targets for 2000-01. We have reported on programme implementation in 2000 using completely new methods and we are already committed to more detailed implementation reporting on the whole 2000-01 biennium to be submitted to you one year from now. In addition, we are just about to start a major series of evaluations of the InFocus programmes.

Based upon your comments, I have concluded that you wish to accelerate the rate of progress in introducing strategic budgeting. There are reasons to do so since we are now moving to the stage of implementation and work planning where some of the most important benefits are to be found. At the same time successful management change is based on a necessary balance between the pace of innovation and the capacity to absorb change by an organization.

In response to your request, I would like to announce the following plan for action over the coming year:

- First, we will put in place by the end of this year a set of specifications for measurement of progress towards each of the targets found in the 2002-03 programme and budget. This will be accompanied by all necessary arrangements for data gathering and record keeping.

- Secondly we will establish workplans for 2002-03 for all ILO programmes. These work plans will use a common format and will be available to all staff via the Intranet. Work plans will include both headquarters and field contributions to achieving our performance targets.

- Thirdly, we will build on our experience so far to revise, where necessary, the indicators and targets so that they better capture the objectives of our Organization.

In addition to improvements in strategic budgeting, we will continue to seek efficiency gains. We take the need for efficiency very seriously, but perhaps we have been insufficiently vocal about what we do.

In the recent past, we have undertaken a management audit of our IPEC programme with visible results. We have put in place new procedures to enhance the delivery of technical cooperation. A major study has just been completed with concrete proposals to enhance the documentation processes of the Relations and Meetings Department. We are about to embark on a study of the administrative operations in the International Labour Standards Department.

Our publications policies and practices are currently under review and will be revised. A preliminary study of our field operations has been completed. Feasibility studies will soon begin on the information technology projects concerned with document management and knowledge management. There will be a further rationalization of computer and communications responsibilities in the Office.

We will continue to centralize sector-wide administrative operations in the offices of the Executive Directors where centralization reduces total costs without compromising service.

There are numerous other smaller analyses under way or planned in addition to ongoing efforts. We do take efficiency seriously because we know it is essential if our substantive activities are to have the resources to remain responsive to demand.

Let me now turn to the regions.

There was a clear sense that the regions need reinforcing. I share this feeling. As announced in my opening statement, the design of the decent work teams will respond to this need for strengthening the regions, avoiding duplication and promoting greater analytical and policy synergy within the Office. I have taken due note of your valuable comments. I also am committed to working with Executive and Regional Directors to identify posts that can be decentralized to the regions.

Some of you raised the idea that branch offices in Western Europe could be closed, not so much because they are not useful but because the needs are greater in Central and Eastern Europe. In fact, we have been involved in a review of their activities to enhance their contribution to the organization. Maybe we could explore solutions like that currently applied in Madrid, in which the Government contributes to the costs of the office.

There were a number of calls for a review of the regions. They could include the roles and functions of offices with a view to simplifying structures and reporting arrangements. It was suggested that technical services could be organized in the regions according to the strategic objectives. We will continue to advance in strengthening the regions.

However, I do not feel that I have at this stage a mandate from the Governing Body to move towards more radical restructuring, in particular if it would mean closing offices in developing countries. I intend to carry out a review that will concentrate on delivering better service to our constituents. It will be demand driven and will start with a survey of the improvements that our constituents consider most important.

Mr. Chairperson,

A large proportion of the debate was devoted to the four strategic objectives and to the budgets of the technical sectors at headquarters. Where the comments were mainly about the orientation of our activities, each sector has been attentive to your interventions and will take your guidance into account when implementing its programme of work.

In a number of cases you made proposals for the strengthening of programmes. This is particularly the case for a number of aspects of employment. The spokespersons for Africa, the Americas and Asia and the Pacific, among others, asked for an increase in resources for employment, which is an indication of the great demand for our work on this subject. I will return to this point in a moment.

Let me say that I fully concur with the comments on the relative importance of the Social Protection Sector and the particular responsibility that only ILO has in this field among the international organizations. In the competitive world of today, this responsibility can only be met by constantly upgrading and modernizing our knowledge base and services. This approach will guide the manner in which we implement the budget.

In this context, there were calls for reinforcement of our programmes on HIV/AIDS and SafeWork, as well as less frequent references to other parts of the programme.

At the start of the current biennium, our HIV/AIDS activities were a part of SafeWork. They have now been upgraded and separated, but I wish to highlight that the total resources for the two programmes taken together have been increased.

This leads me to leave the proposals for these two programmes as they now are, in view of two considerations.

First, the resources for the programme on HIV/AIDS are understated in the proposals. Or rather, the resources for the programme as such are correctly stated, but there are a large number of technical contributions that have been "mainstreamed" in other units, for example on social security, labour markets and child labour. Mr. Willers drew our attention to this. When we have more experience, and in particular when the extra-budgetary situation becomes clear, we may need to review the situation.

Second, there is no doubt that occupational safety and health is an important priority. It is the largest InFocus programme, more than twice the average size of the other seven with committed leadership and competent staff. At the same time, the programme is in need of reorientation. The Governing Body started this process in selecting occupational safety and health as the first topic to be covered by the new integrated approach to standard setting. Internally, and with the assistance of external advice, we are developing a more strategic approach that will result in reductions in some costly activities and redirection of resources to higher impact work. We believe that efficiency savings are possible while strengthening the core activities of the programme which are not affected by the budget proposals.

As a concrete signal of my determination to reinforce the impact of this programme, I am making internal adjustments to release an additional $100,000 for it under the present budget. This is an investment in the future of the programme, which like Mr. Blondel, the Government of France and others, I see as central to the Decent Work Agenda. It will be used to accelerate the efficiency studies and to strengthen collaboration with occupational safety and health institutes on building partnerships in support of developing countries.

Of course, the many requests on the need to strengthen the employment sector require a response. I can only do so within the limits of cuts to other programmes. I have decided to propose reallocation of a total of some $612,000 to finance two posts on employment strategy, designed to strengthen the analytic capacity of the employment sector. These reallocations will be funded from cuts in staff travel. This means a 7 per cent cut applied across the board to all programmes in headquarters, but not to programmes in the regions.

Mr. Chairperson,

You no doubt recall that at the end of your discussions last Friday, I felt called upon to react on the very basic issue of the level of resources. I wanted to launch a process of reflection and consultation that would permit us to do as much as possible for our constituents.

Your discussions identified a large number of programme improvements and ways to strengthen our organization. In fact, the main theme of your guidance was that we should do more. Mr. Blondel was especially clear on this point, as he proposed an increase in the real level of the budget. Many expressed support to the level I have presented.

At the same time, a number of voices were raised to say that we should absorb the very conservative cost increases that are included in the proposals, amounting to $7 million, or 1.5 per cent.

In this respect, I wish to recall the direction in which I have taken the budget. In terms of overheads, the two budgets that I have presented to you have proposed reduced resources for support services, and those for substantive work have been correspondingly increased. Savings on administrative and support services total over $7 million in these two budgets.

However, I feel the responsibility to repeat the warning that I gave last Friday that this process cannot continue indefinitely. Indeed, Mr. Marshall felt obliged to ask for assurances that the quality of services to the Governing Body and the Conference would not suffer. I would note that according to a recent costing exercise on the Conference and the Governing body, the total cost including report preparation of the Conference has changed little in the period 1992-93 to 2000-01 but the cost of the Governing Body has more than doubled. Continuing budget reductions in key operations will put at risk our capacity to properly service our policy-making organs. The strains are already visible.

Of course, one way of overcoming resource problems is to turn to extra-budgetary resources. It was striking, however, how often concerns were expressed about the risks attached to the funding of core activities with such resources. Moreover, we all recognize that extra-budgetary projects require regular budget support activities. There are therefore limits to the extra-budgetary solution. I will continue to press for such resources in areas where there are demands we cannot meet from the regular budget, but this is not a complete answer.

On the basis of the consultations I have had over the past few days, I am reformulating our budget proposal to include a real programme decrease. It is an acknowledgement of the opinion of some of the major contributors to our budget as well as an understanding of the constraints faced by some developing countries.

At the same time I do not believe it would be a sound management policy to absorb all cost increases. It would not respond to the real and pressing needs of our constituents voiced in their committees. Moreover, it would not reward the progress we have made together in forging a more focused and effective Organization.

In a not-too-distant future, I hope that the ILO can move to real budget growth commensurate with increased demand for our services and improvements in our performance in a global economy where, as I said in my introduction, ILO issues are at the heart of families and politics. Until then, I count on you to minimize the size and impact of real programme reductions.

I therefore propose a reduction in the nominal level of the budget of some $2 million, of which some $160,000 comes from further cuts in staff travel and the rest relates to the absorption of a part of the cost increases amounting to some $1.9 million.

The level of absorption I propose represents all cost increases except staff costs, rental of field offices, external audit and UN common system bodies.

However, I must insist that what we are really doing is reducing the programme. "Absorption of cost increases" sounds technical and even painless. What we should consider is how much could be done with the resources, not how the calculation was made.

As a comparison, this amount is some 50 per cent larger than the regular budget provision for the programme on cooperatives, it is larger than the provision for the International Policy Group, the programme on international migration, or the InFocus programme on Crisis Response and Reconstruction. If the whole $7 million were to be absorbed, it would be roughly equivalent to the provisions for all four of these programmes together.

A document is being distributed that shows the effects of these cuts, programme by programme.

Mr. Chairperson,

I would like to conclude with the following thought. I realize that my proposal to absorb only a part of the cost increases will not meet with favour from some of you. For others, any real programme reductions are unsatisfactory. We need to find longer term solutions to this dilemma in the interests of both efficiency in the way we work and effectiveness in the way we deliver.

But today we need to move forward. On this basis, I would request the Governing Body to submit to the Conference my revised budget proposals under normal procedures. I understand that not all members can agree to it now but, I am confident that a satisfactory solution will be found in June.

Appendix III

Summary of adjustments by sectors
(in constant 2000-01 United States dollars)

Programme	Reduction of 8.6 per cent under staff travel	Programme adjustments (Technical programmes)	Programme reductions related to cost increases	Total adjustments
Part I. Ordinary budget				
Policy –making organs:				
International Labour Conference	–		(78 676)	**(78 676)**
Governing Body	–		(24 567)	**(24 567)**
Major regional meetings	–		(16 371)	**(16 371)**
Legal services	(2 846)		(793)	**(3 639)**
Relations, meetings and document services	(3 388)		(41 670)	**(45 058)**
Strategic objectives				
***Technical programmes**:*				
Standards and fundamental principles and rights at work	(68 392)		(43 021)	**(111 413)**
Employment	(255 959)	6 12 093	(81 343)	**274 800**
Social protection	(93 854)		(41 845)	**(135 699)**
Social dialogue	(113 083)		(141 465)	**(254 548)**
Decent work: Intersectoral operational support	(36 120)		(7 980)	**(44 100)**
Gender equality	(7 701)		(7 381)	**(15 082)**
Statistics	(4 339)		(6 737)	**(11 076)**
International Institute for Labour Studies	–		(81 798)	**(81 798)**
International Training Centre of the ILO, Turin			(103 162)	**(103 162)**
External relations and partnerships	(18 861)		(3 262)	**(22 123)**
Communications	(22 433)		(23 953)	**(46 386)**
ILO web development	–		(551)	**(551)**
Technical meetings reserve	–		(5 755)	**(5 755)**
***Regions and technical cooperation**:*				
Development cooperation	(4 635)		(302)	**(4 937)**
Field programmes in Africa	–		(296 658)	**(296 658)**
Field programmes in the Americas	–		(199 443)	**(199 443)**
Field programmes in Arab States	–		(109 573)	**(109 573)**
Field programmes in Asia and the Pacific	–		(68 328)	**(68 328)**
Field programmes in Europe and Central Asia	–		(88 487)	**(88 487)**

Programme	Reduction of 8.6 per cent under staff travel	Programme adjustments (Technical programmes)	Programme reductions related to cost increases	Total adjustments
***Support services*:**				
Library and information services	(1 609)		(104 990)	**(106 599)**
Information technology and communications	(3 471)		(26 725)	**(30 196)**
Internal administration	(4 236)		(181 263)	**(185 499)**
Publications	(2 182)		(12 784)	**(14 966)**
Management services:				
General management	(50 828)		(13 648)	**(64 476)**
Human resources development	(55 973)		(21 560)	**(77 533)**
Financial services	(12 160)		(5 186)	**(17 346)**
Programming and management	(14 110)		(845)	**(14 955)**
Other budgetary provision	–		–	–
Adjustment for staff turnover	–		–	–
Total – Part I	**(776 171)**	**612 093**	**(1 840 122)**	**(2 004 200)**
Part II. Unforeseen expenditure				
Unforeseen expenditure	–	–	–	–
Part III. Working capital fund				
Working capital fund	–	–	–	–
Total – Parts I-III	**(776 171)**	**612 093**	**(1 840 122)**	**(2 004 200)**

Appendix IV

Provision programme level resulting from the adjustments proposed by the Director-General

			2002-03 provisional level ($)
Part I	**Ordinary budget**		
	Initial proposals in constant dollars (at SFr 1.53 to US$1)		466 595 000
	Net programme adjustments as per Appendix III		(2 004 200)
	New proposals in constant dollars		464 590 800
	Initial cost increases	7 059 465	
	Reduction in cost increase provision resulting from programme adjustments	(36 760)	7 022 705
Net Part I			**471 613 505**
Part II	**Unforeseen expenditure**		875 000
Part III	**Working capital fund**		–
2002-03	**Provisional programme level**		**472 488 505**

Comparison with the Programme and Budget for 2000-01

		2000-01 budget ($)	2002-03 provisional levels ($)	Increase (decrease) compared with 2000-01 ($)
Part I	Programme of activity	466 595 000	464 590 800	(2 004 200)
	Cost increases		7 022 705	7 022 705
Part II	Unforeseen expenditure	875 000	875 000	–
Part III	Working capital fund	–	–	–
	Total budget (Parts I, II and III)	**467 470 000**	**472 488 505**	**5 018 505**

Annex 2

Report of the Government members of the Committee on Allocations Matters (GB.280/11/4)

INTERNATIONAL LABOUR OFFICE
Governing Body

GB.280/11/4
280th Session
Geneva, March 2001

ELEVENTH ITEM ON THE AGENDA

Reports of the Programme, Financial and Administrative Committee

Report of the Government members of the Committee on Allocations Matters

1. The Government members of the Programme, Financial and Administrative Committee of the Governing Body met on 16 March 2001 under the chairmanship of Mr. Nor-Eddine Benfreha, Chairman of the Government group, who acted as Reporter. At the suggestion of the Chairman, it was agreed that the third agenda item should be taken as the first item of business.

Assessment of contributions of new member States
(Third item on the agenda)

2. The Government members considered a paper[1] proposing a rate of assessment for the Federal Republic of Yugoslavia, which had joined the ILO on 24 November 2000.

3. ***The Government members recommend to the Governing Body that, in accordance with the established practice of harmonizing the rates of assessment of ILO member States with the rates of assessment in the United Nations, it propose to the Conference that the contribution of the Federal Republic of Yugoslavia to the ILO budget for the period of its membership in the Organization in 2000 and 2001 be based on annual assessment rates of 0.026 per cent and 0.020 per cent respectively.***

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[1] GB.280/PFA/GMA/3.

Scale of assessments of contributions to the budget for the 2002-03 financial period

(First item on the agenda)

4. The Government members considered a paper [2] recommending a draft scale of assessments for ILO member States for the years 2002 and 2003. In common with past practice, these scales were based on the latest rates of assessments for ILO member States in the United Nations scale of assessments of contributions.

5. The representative of Denmark made a statement on behalf of the following groups of member States:

- the European Union;
- Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Slovakia and Slovenia;
- Cyprus, Malta and Turkey;
- Norway and Switzerland.

6. Regarding the scale of assessments, the European Union wished to underline the importance of the principle that the UN scales did not automatically apply to UN agencies such as the ILO. Each agency was empowered to decide on this matter in accordance with its own procedures.

7. In the case of the ILO the EU would not oppose basing the draft scales of assessments for the budget for 2002-03 on the UN scales approved by the United Nations General Assembly in December 2000, with the necessary adjustments for differences in membership, if this solution gathered consensus.

8. However, the EU wished to point out that the scales of assessment decided by the United Nations General Assembly in December 2000 for years 2001-03 were the result of a complex package which made consensus possible; one element of this package was that the reduction of the maximum assessment rate, from 25 to 22 per cent, should only apply to the UN and should have no automatic implication for the scales of assessment of the specialized agencies. This was duly mentioned in the resolution of the United Nations General Assembly. The EU was of the view that the terms of this package deal should be respected. Accordingly, the draft scales of assessment for the ILO budget for 2002-03 should be based on the UN scales approved by the United Nations General Assembly in December 2000.

9. This did not imply that the member States believed that the ILO should implement the entire UN resolution, merely the scale. Certain provisions such as the concept of capping could create difficulties elsewhere in the system.

10. The representative of Brazil supported the statement by the representative of Denmark. Brazil would not oppose a consensus on this matter concerning the financial period 2002-03, but wished to reserve its position with respect to future biennia in view of paragraph 3, Part C, of United Nations resolution 55/5.

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[2] GB.280/PFA/GMA/1.

11. ***The Government members recommend to the Governing Body that, in accordance with the established practice of harmonizing the rates of assessment of ILO member States with their rates of assessment in the United Nations, it propose to the Conference the adoption of the draft scales of assessments for 2002 and 2003 as set out in column 3 of Appendices A and B respectively to this report, subject to such adjustments as might be necessary following any further change in the membership of the Organization before the Conference is called upon to adopt the recommended scales.***

Procedure for the possible continuation of the work of the Government members of the Programme, Financial and Administrative Committee in relation to allocations matters during the International Labour Conference

(Second item on the agenda)

12. The Government members considered a paper [3] describing the procedure to be followed if the Government members of the Committee were required to meet during the 89th Session (June 2001) of the Conference.

13. ***The Government members recommend to the Governing Body that they be authorized to continue their work, if necessary, after the Governing Body has concluded its work at this 280th Session and to submit their report direct to the Finance Committee of Government representatives at the Conference.***

Geneva, 28 March 2001.

(Signed) Nor-Eddine Benfreha,
Reporter.

Points for decision: Paragraph 3;
Paragraph 11;
Paragraph 13.

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[3] GB.280/PFA/GMA/2.

Appendix A

Scale of assessments

States	ILO assessment 2001	UN assessment 2002	Draft scale of ILO assessments 2002	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
Afghanistan	0.003	0.007	0.007	0.004
Albania	0.003	0.003	0.003	–
Algeria	0.085	0.071	0.070	(0.015)
Angola	0.010	0.002	0.002	(0.008)
Antigua and Barbuda	0.002	0.002	0.002	–
Argentina	1.086	1.159	1.141	0.055
Armenia	0.006	0.002	0.002	(0.004)
Australia	1.460	1.640	1.615	0.155
Austria	0.928	0.954	0.939	0.011
Azerbaijan	0.011	0.004	0.004	(0.007)
Bahamas	0.015	0.012	0.012	(0.003)
Bahrain	0.017	0.018	0.018	0.001
Bangladesh	0.010	0.010	0.010	–
Barbados	0.008	0.009	0.009	0.001
Belarus	0.056	0.019	0.019	(0.037)
Belgium	1.087	1.138	1.121	0.034
Belize	0.001	0.001	0.001	–
Benin	0.002	0.002	0.002	–
Bolivia	0.007	0.008	0.008	0.001
Bosnia and Herzegovina	0.004	0.004	0.004	–
Botswana	0.010	0.010	0.010	–
Brazil	1.449	2.093	2.061	0.612
Bulgaria	0.011	0.013	0.013	0.002
Burkina Faso	0.002	0.002	0.002	–
Burundi	0.001	0.001	0.001	–
Cambodia	0.001	0.002	0.002	0.001
Cameroon	0.013	0.009	0.009	(0.004)
Canada	2.690	2.579	2.540	(0.150)
Cape Verde	0.002	0.001	0.001	(0.001)
Central African Republic	0.001	0.001	0.001	–
Chad	0.001	0.001	0.001	–
Chile	0.134	0.187	0.184	0.050
China	0.980	1.545	1.521	0.541

States	ILO assessment 2001	UN assessment 2002	Draft scale of ILO assessments 2002	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
Colombia	0.107	0.171	0.168	0.061
Comoros	0.001	0.001	0.001	–
Congo	0.003	0.001	0.001	(0.002)
Costa Rica	0.016	0.020	0.020	0.004
Côte d'Ivoire	0.009	0.009	0.009	–
Croatia	0.029	0.039	0.038	0.009
Cuba	0.024	0.030	0.029	0.005
Cyprus	0.033	0.038	0.037	0.004
Czech Republic	0.105	0.172	0.169	0.064
Democratic Republic of the Congo	0.007	0.004	0.004	(0.003)
Denmark	0.681	0.755	0.743	0.062
Djibouti	0.001	0.001	0.001	–
Dominica	0.001	0.001	0.001	–
Dominican Republic	0.015	0.023	0.022	0.007
Ecuador	0.020	0.025	0.024	0.004
Egypt	0.064	0.081	0.080	0.016
El Salvador	0.012	0.018	0.018	0.006
Equatorial Guinea	0.001	0.001	0.001	–
Eritrea	0.001	0.001	0.001	–
Estonia	0.012	0.010	0.010	(0.002)
Ethiopia	0.006	0.004	0.004	(0.002)
Fiji	0.004	0.004	0.004	–
Finland	0.535	0.526	0.518	(0.017)
France	6.445	6.516	6.417	(0.028)
Gabon	0.015	0.014	0.014	(0.001)
Gambia	0.001	0.001	0.001	–
Georgia	0.007	0.005	0.005	(0.002)
Germany	9.707	9.845	9.695	(0.012)
Ghana	0.007	0.005	0.005	(0.002)
Greece	0.346	0.543	0.535	0.189
Grenada	0.001	0.001	0.001	–
Guatemala	0.018	0.027	0.026	0.008
Guinea	0.003	0.003	0.003	–
Guinea–Bissau	0.001	0.001	0.001	–
Guyana	0.001	0.001	0.001	–
Haiti	0.002	0.002	0.002	–
Honduras	0.003	0.004	0.004	0.001
Hungary	0.118	0.121	0.119	0.001

States	ILO assessment 2001 Col. 1 %	UN assessment 2002 Col. 2 %	Draft scale of ILO assessments 2002 Col. 3 %	Increase or decrease (difference between columns 3 and 1) Col. 4 %
Iceland	0.031	0.033	0.032	0.001
India	0.294	0.344	0.339	0.045
Indonesia	0.185	0.201	0.198	0.013
Iran, Islamic Republic of	0.158	0.236	0.232	0.074
Iraq	0.031	0.102	0.100	0.069
Ireland	0.221	0.297	0.292	0.071
Israel	0.345	0.418	0.412	0.067
Italy	5.354	5.104	5.026	(0.328)
Jamaica	0.006	0.004	0.004	(0.002)
Japan	20.260	19.669	19.369	(0.891)
Jordan	0.006	0.008	0.008	0.002
Kazakhstan	0.047	0.029	0.028	(0.019)
Kenya	0.007	0.008	0.008	0.001
Kiribati	0.001	0.001	0.001	–
Korea, Republic of	0.991	1.866	1.838	0.847
Kuwait	0.126	0.148	0.146	0.020
Kyrgyzstan	0.006	0.001	0.001	(0.005)
Lao People's Democratic Republic	0.001	0.001	0.001	–
Latvia	0.017	0.010	0.010	(0.007)
Lebanon	0.016	0.012	0.012	(0.004)
Lesotho	0.002	0.001	0.001	(0.001)
Liberia	0.002	0.001	0.001	(0.001)
Libyan Arab Jamahiriya	0.122	0.067	0.066	(0.056)
Lithuania	0.015	0.017	0.017	0.002
Luxembourg	0.067	0.080	0.079	0.012
Madagascar	0.003	0.003	0.003	–
Malawi	0.002	0.002	0.002	–
Malaysia	0.180	0.237	0.233	0.053
Mali	0.002	0.002	0.002	–
Malta	0.014	0.015	0.015	0.001
Mauritania	0.001	0.001	0.001	–
Mauritius	0.009	0.011	0.011	0.002
Mexico	0.980	1.095	1.078	0.098
Moldova, Republic of	0.010	0.002	0.002	(0.008)
Mongolia	0.002	0.001	0.001	(0.001)
Morocco	0.040	0.045	0.044	0.004
Mozambique	0.001	0.001	0.001	–
Myanmar	0.008	0.010	0.010	0.002

States	ILO assessment 2001	UN assessment 2002	Draft scale of ILO assessments 2002	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
Namibia	0.007	0.007	0.007	–
Nepal	0.004	0.004	0.004	–
Netherlands	1.607	1.751	1.724	0.117
New Zealand	0.218	0.243	0.239	0.021
Nicaragua	0.001	0.001	0.001	–
Niger	0.002	0.001	0.001	(0.001)
Nigeria	0.031	0.056	0.055	0.024
Norway	0.601	0.652	0.642	0.041
Oman	0.050	0.062	0.061	0.011
Pakistan	0.058	0.061	0.060	0.002
Panama	0.013	0.018	0.018	0.005
Papua New Guinea	0.007	0.006	0.006	(0.001)
Paraguay	0.014	0.016	0.016	0.002
Peru	0.097	0.119	0.117	0.020
Philippines	0.080	0.101	0.099	0.019
Poland	0.193	0.319	0.314	0.121
Portugal	0.424	0.466	0.459	0.035
Qatar	0.032	0.034	0.033	0.001
Romania	0.055	0.059	0.058	0.003
Russian Federation	1.061	1.200	1.182	0.121
Rwanda	0.001	0.001	0.001	–
Saint Kitts and Nevis	0.001	0.001	0.001	–
Saint Lucia	0.001	0.002	0.002	0.001
Saint Vincent and the Grenadines	0.001	0.001	0.001	–
San Marino	0.002	0.002	0.002	–
Sao Tome and Principe	0.001	0.001	0.001	–
Saudi Arabia	0.553	0.559	0.550	(0.003)
Senegal	0.006	0.005	0.005	(0.001)
Seychelles	0.002	0.002	0.002	–
Sierra Leone	0.001	0.001	0.001	–
Singapore	0.176	0.396	0.390	0.214
Slovakia	0.034	0.043	0.042	0.008
Slovenia	0.060	0.081	0.080	0.020
Solomon Islands	0.001	0.001	0.001	–
Somalia	0.001	0.001	0.001	–
South Africa	0.360	0.411	0.405	0.045
Spain	2.551	2.539	2.500	(0.051)
Sri Lanka	0.012	0.016	0.016	0.004

States	ILO assessment 2001	UN assessment 2002	Draft scale of ILO assessments 2002	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
Sudan	0.007	0.006	0.006	(0.001)
Suriname	0.004	0.002	0.002	(0.002)
Swaziland	0.002	0.002	0.002	–
Sweden	1.063	1.035	1.019	(0.044)
Switzerland	1.196	1.274	1.255	0.059
Syrian Arab Republic	0.063	0.081	0.080	0.017
Tajikistan	0.004	0.001	0.001	(0.003)
Tanzania, United Republic of	0.003	0.004	0.004	0.001
Thailand	0.167	0.254	0.250	0.083
The former Yugoslav Republic of Macedonia	0.004	0.006	0.006	0.002
Togo	0.001	0.001	0.001	–
Trinidad and Tobago	0.016	0.016	0.016	–
Tunisia	0.028	0.031	0.030	0.002
Turkey	0.433	0.444	0.437	0.004
Turkmenistan	0.006	0.003	0.003	(0.003)
Uganda	0.004	0.005	0.005	0.001
Ukraine	0.187	0.053	0.052	(0.135)
United Arab Emirates	0.175	0.204	0.201	0.026
United Kingdom	5.014	5.579	5.494	0.480
United States	25.000	22.000	22.000	(3.000)
Uruguay	0.047	0.081	0.080	0.033
Uzbekistan	0.025	0.011	0.011	(0.014)
Venezuela	0.157	0.210	0.207	0.050
Viet Nam	0.007	0.013	0.013	0.006
Yemen	0.010	0.007	0.007	(0.003)
Yugoslavia, Former Socialist Republic of	0.026	–	–	(0.026)
Yugoslavia, Federal Republic of	–(1)	0.020	0.020	0.020
Zambia	0.002	0.002	0.002	–
Zimbabwe	0.009	0.008	0.008	(0.001)
	100.000	101.208	100.000	0.000

(1) The rate for the Federal Republic of Yugoslavia for 2001 will be recommended by the Governing Body at its current session for adoption by the 89th Session of the ILC (June 2001).

Appendix B

Scale of assessments

States	ILO assessment 2002	UN assessment 2003	Draft scale of ILO assessments 2003	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
Afghanistan	0.007	0.00900	0.00900	0.00200
Albania	0.003	0.00300	0.00300	–
Algeria	0.070	0.07000	0.06900	(0.00100)
Angola	0.002	0.00200	0.00200	–
Antigua and Barbuda	0.002	0.00200	0.00200	–
Argentina	1.141	1.14900	1.13100	(0.01000)
Armenia	0.002	0.00200	0.00200	–
Australia	1.615	1.62700	1.60200	(0.01300)
Austria	0.939	0.94700	0.93200	(0.00700)
Azerbaijan	0.004	0.00400	0.00400	–
Bahamas	0.012	0.01200	0.01200	–
Bahrain	0.018	0.01800	0.01800	–
Bangladesh	0.010	0.01000	0.01000	–
Barbados	0.009	0.00900	0.00900	–
Belarus	0.019	0.01900	0.01900	–
Belgium	1.121	1.12900	1.11200	(0.00900)
Belize	0.001	0.00100	0.00100	–
Benin	0.002	0.00200	0.00200	–
Bolivia	0.008	0.00800	0.00800	–
Bosnia and Herzegovina	0.004	0.00400	0.00400	–
Botswana	0.010	0.01000	0.01000	–
Brazil	2.061	2.39000	2.35300	0.29200
Bulgaria	0.013	0.01300	0.01300	–
Burkina Faso	0.002	0.00200	0.00200	–
Burundi	0.001	0.00100	0.00100	–
Cambodia	0.002	0.00200	0.00200	–
Cameroon	0.009	0.00900	0.00900	–
Canada	2.540	2.55800	2.51900	(0.02100)
Cape Verde	0.001	0.00100	0.00100	–
Central African Republic	0.001	0.00100	0.00100	–
Chad	0.001	0.00100	0.00100	–
Chile	0.184	0.21200	0.20900	0.02500

States	ILO assessment 2002	UN assessment 2003	Draft scale of ILO assessments 2003	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
China	1.521	1.53200	1.50900	(0.01200)
Colombia	0.168	0.20100	0.19800	0.03000
Comoros	0.001	0.00100	0.00100	–
Congo	0.001	0.00100	0.00100	–
Costa Rica	0.020	0.02000	0.01900	(0.00100)
Côte d'Ivoire	0.009	0.00900	0.00900	–
Croatia	0.038	0.03900	0.03800	–
Cuba	0.029	0.03000	0.02900	–
Cyprus	0.037	0.03800	0.03700	–
Czech Republic	0.169	0.20300	0.20000	0.03100
Democratic Republic of the Congo	0.004	0.00400	0.00400	–
Denmark	0.743	0.74900	0.73800	(0.00500)
Djibouti	0.001	0.00100	0.00100	–
Dominica	0.001	0.00100	0.00100	–
Dominican Republic	0.022	0.02300	0.02200	–
Ecuador	0.024	0.02500	0.02400	–
Egypt	0.080	0.08100	0.08000	–
El Salvador	0.018	0.01800	0.01800	–
Equatorial Guinea	0.001	0.00100	0.00100	–
Eritrea	0.001	0.00100	0.00100	–
Estonia	0.010	0.01000	0.01000	–
Ethiopia	0.004	0.00400	0.00400	–
Fiji	0.004	0.00400	0.00400	–
Finland	0.518	0.52200	0.51400	(0.00400)
France	6.417	6.46600	6.36700	(0.05000)
Gabon	0.014	0.01400	0.01400	–
Gambia	0.001	0.00100	0.00100	–
Georgia	0.005	0.00500	0.00500	–
Germany	9.695	9.76900	9.62000	(0.07500)
Ghana	0.005	0.00500	0.00500	–
Greece	0.535	0.53900	0.53100	(0.00400)
Grenada	0.001	0.00100	0.00100	–
Guatemala	0.026	0.02700	0.02600	–
Guinea	0.003	0.00300	0.00300	–
Guinea-Bissau	0.001	0.00100	0.00100	–
Guyana	0.001	0.00100	0.00100	–
Haiti	0.002	0.00200	0.00200	–
Honduras	0.004	0.00500	0.00500	0.00100

States	ILO assessment 2002	UN assessment 2003	Draft scale of ILO assessments 2003	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
Hungary	0.119	0.12000	0.11800	(0.00100)
Iceland	0.032	0.03300	0.03200	–
India	0.339	0.34100	0.33600	(0.00300)
Indonesia	0.198	0.20000	0.19700	(0.00100)
Iran, Islamic Republic of	0.232	0.27200	0.26800	0.03600
Iraq	0.100	0.13600	0.13400	0.03400
Ireland	0.292	0.29400	0.29000	(0.00200)
Israel	0.412	0.41500	0.40900	(0.00300)
Italy	5.026	5.06475	4.98753	(0.03847)
Jamaica	0.004	0.00400	0.00400	–
Japan	19.369	19.51575	19.21804	(0.15096)
Jordan	0.008	0.00800	0.00800	–
Kazakhstan	0.028	0.02800	0.02700	(0.00100)
Kenya	0.008	0.00800	0.00800	–
Kiribati	0.001	0.00100	0.00100	–
Korea, Republic of	1.838	1.85100	1.82300	(0.01500)
Kuwait	0.146	0.14700	0.14500	(0.00100)
Kyrgyzstan	0.001	0.00100	0.00100	–
Lao People's Democratic Republic	0.001	0.00100	0.00100	–
Latvia	0.010	0.01000	0.01000	–
Lebanon	0.012	0.01200	0.01200	–
Lesotho	0.001	0.00100	0.00100	–
Liberia	0.001	0.00100	0.00100	–
Libyan Arab Jamahiriya	0.066	0.06700	0.06600	–
Lithuania	0.017	0.01700	0.01700	–
Luxembourg	0.079	0.08000	0.07900	–
Madagascar	0.003	0.00300	0.00300	–
Malawi	0.002	0.00200	0.00200	–
Malaysia	0.233	0.23500	0.23100	(0.00200)
Mali	0.002	0.00200	0.00200	–
Malta	0.015	0.01500	0.01500	–
Mauritania	0.001	0.00100	0.00100	–
Mauritius	0.011	0.01100	0.01100	–
Mexico	1.078	1.08600	1.06900	(0.00900)
Moldova, Republic of	0.002	0.00200	0.00200	–
Mongolia	0.001	0.00100	0.00100	–
Morocco	0.044	0.04400	0.04300	(0.00100)
Mozambique	0.001	0.00100	0.00100	–

States	ILO assessment 2002	UN assessment 2003	Draft scale of ILO assessments 2003	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
Myanmar	0.010	0.01000	0.01000	–
Namibia	0.007	0.00700	0.00700	–
Nepal	0.004	0.00400	0.00400	–
Netherlands	1.724	1.73800	1.71100	(0.01300)
New Zealand	0.239	0.24100	0.23700	(0.00200)
Nicaragua	0.001	0.00100	0.00100	–
Niger	0.001	0.00100	0.00100	–
Nigeria	0.055	0.06800	0.06700	0.01200
Norway	0.642	0.64600	0.63600	(0.00600)
Oman	0.061	0.06100	0.06000	(0.00100)
Pakistan	0.060	0.06100	0.06000	–
Panama	0.018	0.01800	0.01800	–
Papua New Guinea	0.006	0.00600	0.00600	–
Paraguay	0.016	0.01600	0.01600	–
Peru	0.117	0.11800	0.11600	(0.00100)
Philippines	0.099	0.10000	0.09800	(0.00100)
Poland	0.314	0.37800	0.37200	0.05800
Portugal	0.459	0.46200	0.45500	(0.00400)
Qatar	0.033	0.03400	0.03300	–
Romania	0.058	0.05800	0.05700	(0.00100)
Russian Federation	1.182	1.20000	1.18200	–
Rwanda	0.001	0.00100	0.00100	–
Saint Kitts and Nevis	0.001	0.00100	0.00100	–
Saint Lucia	0.002	0.00200	0.00200	–
Saint Vincent and the Grenadines	0.001	0.00100	0.00100	–
San Marino	0.002	0.00200	0.00200	–
Sao Tome and Principe	0.001	0.00100	0.00100	–
Saudi Arabia	0.550	0.55400	0.54600	(0.00400)
Senegal	0.005	0.00500	0.00500	–
Seychelles	0.002	0.00200	0.00200	–
Sierra Leone	0.001	0.00100	0.00100	–
Singapore	0.390	0.39300	0.38700	(0.00300)
Slovakia	0.042	0.04300	0.04200	–
Slovenia	0.080	0.08100	0.08000	–
Solomon Islands	0.001	0.00100	0.00100	–
Somalia	0.001	0.00100	0.00100	–
South Africa	0.405	0.40800	0.40200	(0.00300)
Spain	2.500	2.51875	2.48034	(0.01966)

States	ILO assessment 2002	UN assessment 2003	Draft scale of ILO assessments 2003	Increase or decrease (difference between columns 3 and 1)
	Col. 1	Col. 2	Col. 3	Col. 4
	%	%	%	%
Sri Lanka	0.016	0.01600	0.01600	–
Sudan	0.006	0.00600	0.00600	–
Suriname	0.002	0.00200	0.00200	–
Swaziland	0.002	0.00200	0.00200	–
Sweden	1.019	1.02675	1.01109	(0.00791)
Switzerland	1.255	1.27400	1.25400	(0.00100)
Syrian Arab Republic	0.080	0.08000	0.07900	(0.00100)
Tajikistan	0.001	0.00100	0.00100	–
Tanzania, United Republic of	0.004	0.00400	0.00400	–
Thailand	0.250	0.29400	0.29000	0.04000
The former Yugoslav Republic of Macedonia	0.006	0.00600	0.00600	–
Togo	0.001	0.00100	0.00100	–
Trinidad and Tobago	0.016	0.01600	0.01600	–
Tunisia	0.030	0.03000	0.02900	(0.00100)
Turkey	0.437	0.44000	0.43300	(0.00400)
Turkmenistan	0.003	0.00300	0.00300	–
Uganda	0.005	0.00500	0.00500	–
Ukraine	0.052	0.05300	0.05200	–
United Arab Emirates	0.201	0.20200	0.19900	(0.00200)
United Kingdom	5.494	5.53600	5.45100	(0.04300)
United States	22.000	22.00000	22.00000	–
Uruguay	0.080	0.08000	0.07900	(0.00100)
Uzbekistan	0.011	0.01100	0.01100	–
Venezuela	0.207	0.20800	0.20500	(0.00200)
Viet Nam	0.013	0.01600	0.01600	0.00300
Yemen	0.007	0.00600	0.00600	(0.00100)
Yugoslavia	0.020	0.02000	0.01900	(0.00100)
Zambia	0.002	0.00200	0.00200	–
Zimbabwe	0.008	0.00800	0.00800	–
	100.000	101.20800	100.00000	0.00000

Annex 3

Review of the Financial Regulations governing cash surpluses and deficits (GB.279/PFA/4)

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.279/PFA/4
279th Session

Geneva, November 2000

Programme, Financial and Administrative Committee

PFA

FOURTH ITEM ON THE AGENDA

Review of the Financial Regulations governing cash surpluses and deficits

Introduction

1. At its 82nd Session (1995) the International Labour Conference, having noted the practical difficulties that had arisen in recent biennia from the non-application of articles 18 and 21.2 of the Financial Regulations, decided, "on a trial basis for the 1994-95, 1996-97 and 1998-99 financial periods only that – notwithstanding the aforementioned articles – sums withdrawn from the Working Capital Fund to finance expenditure pending receipt of contributions in accordance with article 19.1(a) of the Financial Regulations shall, if they cannot be reimbursed from contributions received in the course of the same financial period, be reimbursed from amounts credited in subsequent financial periods against arrears of contributions." [1]

2. The trial period established by the Conference having now been completed, the Programme, Financial and Administrative Committee may wish to review the impact of this decision and, on the basis of its findings, to consider what follow-up action might be most appropriate. The present paper is intended to assist the Committee in doing so and sets out briefly the considerations and events leading to the Conference resolution, presents and analyses the results obtained, and suggests the steps that might now be taken.

The situation leading to the decision by the Conference

3. In accordance with article 18 of the Financial Regulations, surpluses under the ILO's regular budget are credited to member States. Article 21.2, on the other hand, requires additional assessments to be raised on member States to cover deficits under the regular budget by reimbursing the Organization's Working Capital Fund for withdrawals effected to finance such deficits. Member States are subsequently credited with their share of surpluses arising when payments of the arrears that led to the deficits are received. Thus, over time, no member States finance the non-payment of contributions by others.

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[1] International Labour Conference, 82nd Session (1995), *Record of Proceedings*, p. 21/4.

4. In prior biennia the operation of this mechanism had been disrupted by irregular patterns in the amounts of budgetary income received and their impact on financial results. This trend had led the Director-General to adopt a policy of initiating prudent adjustments in the level of programme implementation, in consultation with the Governing Body, to take account of the expected availability of budgetary income. Similarly, the Governing Body and the Conference had adopted a succession of ad hoc waivers of the application of article 18 or article 21.2 of the Financial Regulations. In such circumstances the Committee agreed at the 258th Session of the Governing Body (November 1993) that the Director-General should explore means of introducing greater flexibility in the Financial Regulations with respect to the treatment of future surpluses and deficits.[2] Discussion of the Office submissions on this subject began in the Committee at the 259th Session of the Governing Body (March 1994) and continued at the 261st and 262nd Sessions (November 1994 and March-April 1995). At the last of these sessions it was agreed that the Conference should be requested to adopt the resolution referred to in paragraph 1 above.

Discussions in the Committee

5. The following paragraphs set out some of the significant points examined during the Committee's discussion of this matter.

6. *Difficulty of matching programme adjustments with expected income.* The scope for programme adjustments declines as a biennium progresses, while on the financial side accurate forecasts of the amount and timing of payments of contributions are not always feasible. In such circumstances surpluses or deficits at the end of each biennium are practically unavoidable and the regular application of articles 18 and 21.2 of the Financial Regulations has not proved practicable.

7. *Advantages of greater flexibility in articles 18 and 21.2.* Except where very substantial shortfalls in income are expected or experienced, the main such advantages are as follows:

(a) the need to reduce programmes in anticipation of income shortfalls is eliminated;

(b) additional assessments on member States in respect of cash deficits directly attributable to shortfalls in budgetary income are avoided;

(c) over time significant surpluses are less likely to occur, payments of arrears being used in the first instance to reimburse previous withdrawals from the Working Capital Fund to finance deficits.

8. *Possible negative implications for the Working Capital Fund.* Modification of the present articles 18 and 21.2 could lead to the need for special measures to be taken to reimburse withdrawals from the Working Capital Fund, should significant shortfalls in contributions persist for a number of years.

9. *Financing of expenditure on contingencies and emergencies.* Any deficits resulting from expenditure on contingencies and emergencies under prior authorization by the Governing Body would have to continue to be the subject of an additional assessment on member States in the following biennium. Such an assessment would accordingly have to continue to be provided for in the Financial Regulations.

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[2] GB.258/5/23.

Evaluation of the trial system

10. The financial results of the trial system are shown in the following table.

Analysis of the financial results of the trial system

		1994-95 $ million	1996-97 $ million	1998-99 $ million
A.	**Budgetary income**			
	Income budget	466.5	579.5	481.0
	Contributions received	389.7	570.7	478.8
	Add: Application of 1996-97 surplus	-	-	16.3[3]
	Deduct: Arrears applied to replenish Working Capital Fund for deficit in previous biennium	-	(44.2)[4]	-
	Total	389.7	526.5	495.1
	Income surplus/(deficit)	(76.8)	(53.0)	14.1
B.	**Budgetary expenditure**			
	Expenditure budget	466.5	579.5	481.0
	Expenditure incurred	425.1	506.0	466.5
	Expenditure underspending	41.4	73.5	14.5
C	**Surplus (deficit)**			
	Income surplus/(deficit)	(76.8)	(53.0)	14.1
	Expenditure underspending	41.4	73.5	14.5
		(35.4)[4]	20.5[3]	28.6
D.	**Financing measures**			
	Replenishment of WCF		30.2	
	Withdrawal from WCF	(30.2)		
	Internal borrowing	(14.0)	14.0	
	Total	(44.2)[4]	44.2	

11. The following observations may be made on these data:

(a) *1994-95:* During the trial period, a deficit due to income shortfalls occurred only in this biennium. The deficit of $35.4 million at the budget rate of exchange of 1.45 Swiss francs to the dollar was revalued to $44.2 million in December 1995 at the then prevailing United Nations accounting rate of exchange of 1.16 Swiss francs to the dollar. The deficit was financed by withdrawal of the full balance of the Working Capital Fund ($30.2 million) and by some internal borrowing ($14.0 million). Under the trial system, payment of a delayed major 1994-95 contribution early in January 1996 permitted the Working Capital Fund to be fully replenished and the internal borrowing to be repaid in the first weeks of the 1996-97 biennium, rather than a year later through an additional assessment on member States.

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[3] 1996-97 surplus of $20.5 million, at the 1996-97 budget rate of exchange (1.16 Swiss francs to the dollar), was transferred to 1998-99 assessments at the 1998-99 budget rate of exchange (equivalent to $16.3 million).

[4] 1994-95 deficit of $35.4 million at the 1994-95 budget rate of exchange (1.45 Swiss francs to the dollar) was reimbursed through arrears of income received in January 1996 at the then United Nations accounting rate of exchange (1.16 Swiss francs to the dollar).

(b) *1996-97:* Although there was an income deficit of $53 million in 1996-97, this was more than offset by underspending of the expenditure budget by some $73 million, which resulted in a surplus of $20.5 million.[5] But for the trial system, a much larger surplus of $64.7 million would have occurred, since the 1994-95 deficit of $44.2 million would have been the subject of an additional assessment in 1997. In anticipation of the surplus expected to occur in 1996-97, the Conference reduced 1998-99 assessments by $16.3 million.[5]

(c) *1998-99:* There was a favourable outcome for both the income budget (an income surplus of some $14 million) and for the expenditure budget (underspending of some $15 million), the resulting surplus being some $29 million. But for the trial system, a substantial part of the large surplus of $64.7 million which would normally have occurred in 1996-97 would have been applied to reducing contributions in 1999. Thus, the trial system considerably evened out assessments.

Over the whole period no discernable change in the pattern of payment of contributions was observed.

Conclusions

12. The operation of the trial system during the three biennia would thus appear to have been successful. In accordance with the main objectives of the system, the effects of fluctuations in budgetary income were largely mitigated and an additional assessment on member States to reimburse withdrawals from the Working Capital Fund was avoided in respect of the 1994-95 deficit of $44.2 million.

13. The outcome of the trial period would also appear to corroborate the favourable analysis provided to the Committee at the 261st Session (November 1994) of the Governing Body,[6] which showed how the same system would have functioned during the four preceding biennia (1986-87 to 1992-93), three of which were characterized by significant income shortfalls. The tabular presentation submitted in March 1994 is reproduced in Appendix I for reference.

14. Taking account of the above analysis, the Director-General believes that the system as practised during the last three biennia deserves serious consideration for adoption on a permanent basis.

15. ***Should the Committee share this view, it may wish to consider amendments to the Financial Regulations through which the new arrangements could be put into continuing effect. A proposed text is contained in Appendix II. If it should then think fit, the Committee may wish to recommend to the Governing Body that it propose to the International Labour Conference, for adoption at its 89th Session (June 2001), the draft resolution in Appendix III, through which the amendments would be adopted.***

Geneva, 11 October 2000.

Point for decision: Paragraph 15.

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[5] The 1996-97 surplus of Swiss francs 23.8 million was equivalent to $20.5 million at the 1996-97 budget rate of exchange and $16.3 million at the 1998-99 budget rate of exchange.

[6] GB.261/PFA/4/1.

Appendix I

Illustration of the operation of the proposed system of using arrears of contributions in respect of previous biennia to reimburse withdrawals from the Working Capital Fund to finance cash deficits due to income shortfalls

(originally issued in GB.261/PFA/4/1 (November 1994))

	1986-87	1988-89	1990-91	1992-93
	$ million	$ million	$ million	$ million
Income budget	253.1[1]	324.9[1]	330.4	405.7
Contributions received				
Year 1 – current assessments	89.7	115.3	116.4	143.4
– arrears from previous biennia	10.4	21.8	59.1	33.3
Year 2 – current assessments	103.7	154.7	158.5	198.5
– arrears from previous biennia	35.7	2.1	6.2	28.1
	239.5	293.9[1]	340.2[1]	403.3
Less: Arrears applied to replenish the WCF for cash deficit in previous biennium due to shortfall in contributions	–	(7.4)	(27.1)	(17.3)
Budgetary income	239.5	286.5	313.1	386.0
Income surplus/(deficit)	(13.6)	(38.4)	(17.3)	(19.7)
Budgetary expenditure				
Expenditure budget	253.1[1]	324.91	330.4	405.7
Expenditure	246.9[1, 2]	313.6[1,2]	333.1	405.7[2]
Expenditure under/(over) spending	6.2	11.3	(2.7)	–
Cash surplus/(deficit)				
Income surplus	(13.6)	(38.4)	(17.3)	(19.7)
Expenditure under/(over) spending	6.2	11.3	(2.7)	–
	(7.4)	(27.1)	(20.0)	(19.7)
Reimbursement of cash deficit to WCF				
From arrears of next biennium	–	7.4	27.1	17.3
By additional assessment under Article 18 of the Financial Regulations in second year of biennium	–	–	–	2.7
	–	7.4	27.1	20.0
Movement in level of WCF				
Replenishments	–	7.4	27.1	20.0
Withdrawals	(7.4)	(27.1)	(20.0)	(19.7)
Net change	(7.4)	(19.7)	7.1	(0.3)

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[1] Adjusted to eliminate the effect of exchange-rate fluctuations.

[2] Increased by amount of expenditure reductions approved by the Governing Body to cover potential income shortfalls: 1986-87 – $17.3 million; 1988-89 – $12.3 million; and 1992-93 – $18.0 million of originally approved expenditure reductions totalling $30.0 million.

Appendix II

Proposed amendments to the Financial Regulations of the International Labour Organization

(Additions are shown in bold type: deletions are indicated by square brackets)

Article 18

1. The excess [or shortfall of income over expenditure] **of income over expenditure (surplus) or the shortfall in income compared with expenditure (deficit)** in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the [date of the financial statements at the] end of the financial period.

2. Any such [excess of income over expenditure] **surplus**, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

Article 21

1. (No change.)

2. If any sums withdrawn from the Working Capital Fund or borrowed to finance [budgetary] expenditure [pending receipt of contributions or other income and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body] cannot be reimbursed in the course of the same financial period, **then:**

(a) to the extent that the sums were withdrawn or borrowed to finance budgetary expenditure pending the receipt of contributions or other income, they shall be reimbursed from arrears of contributions received in the following financial period or periods;

(b) to the extent that the sums were withdrawn or borrowed to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, they [owing to the fact that the total budgetary income for the period falls short of total authorized expenditure incurred during the period, the sums so borrowed or withdrawn] shall be reimbursed to the lender or lenders and to the Fund in the second year of the next following financial period by adding to the contributions assessed on member States for that year an additional assessment in Swiss francs equivalent to the amount so borrowed or withdrawn[:], provided that temporary surpluses [of budgetary income over expenditure occurring at any time] shall be utilized to the extent possible to reduce the amount of outstanding loans or advances.

3. (No change.)

Appendix III

Resolution to be submitted to the 89th Session (2001) of the International Labour Conference

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to put into effect the direct use of arrears of contributions received to reimburse the Working Capital Fund or to repay amounts borrowed to finance a cash deficit in a previous financial period;

Decides to make the following amendments to the Financial Regulations: [1]

Article 18

1. The excess [or shortfall of income over expenditure] **of income over expenditure (surplus) or the shortfall in income compared with expenditure (deficit)** in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the [date of the financial statements at the] end of the financial period.

2. Any such [excess of income over expenditure] **surplus**, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

Article 21

1. (No change.)

2. If any sums withdrawn from the Working Capital Fund or borrowed to finance [budgetary] expenditure [pending receipt of contributions or other income and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body] cannot be reimbursed in the course of the same financial period**, then:**

(a) to the extent that the sums were withdrawn or borrowed to finance budgetary expenditure pending the receipt of contributions or other income, they shall be reimbursed from arrears of contributions received in the following financial period or periods;

(b) to the extent that the sums were withdrawn or borrowed to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, they [owing to the fact that the total budgetary income for the period falls short of total authorized expenditure incurred during the period, the sums so borrowed or withdrawn] shall be reimbursed to the lender or lenders and to the Fund in the second year of the next following financial period by adding to the contributions assessed on member States for that year an additional assessment in Swiss francs equivalent to the amount so borrowed or withdrawn[:], provided that temporary surpluses [of budgetary income over expenditure occurring at any time] shall be utilized to the extent possible to reduce the amount of outstanding loans or advances.

3. (No change.)

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[1] Additions are shown in bold type: deletions are indicated by square brackets.

Annex 4

Extract from the first report of the Programme, Financial and Administrative Committee (November 2000) (GB.279/10/1(Add. & Corr.))

Extract from the first report of the Programme, Financial and Administrative Committee (November 2000)

Review of the Financial Regulations governing cash surpluses and deficits
(Fourth item on the agenda)

25. The Committee had before it a paper [5] proposing amendments to the Financial Regulations concerning cash surpluses and deficits.

26. Mr. Blondel noted that the experimental system introduced for the three biennia 1994-95, 1996-97 and 1998-99 had been intended to offset the effects of fluctuations in budgetary income. Amounts had been deducted from the Working Capital Fund to cover the regular budget deficits, and member States had then been credited with the excess of income over expenditure when the arrears giving rise to the deficits were paid. The system had the advantage of sparing member States the additional assessments that would have been required to cover the deficits, in accordance with article 21.2 of the Financial Regulations. The Committee was invited to take a decision on whether to make the necessary changes to the Financial Regulations to place the system on a permanent footing. Its introduction was more of interest to governments. The Worker members were ready to approve the institutionalization of the system if it met with the approval of governments.

27. Mr. Marshall, for the Employers, recalled that the 1995 Conference had decided on a temporary derogation from the Financial Regulations for a trial period covering the 1994-95, 1996-97 and 1998-99 biennia. The effect of the derogation essentially was to enable any sums withdrawn from the Working Capital Fund to finance budgetary expenditure not reimbursed by the end of the same biennium to be reimbursed from arrears of contributions received in subsequent biennia. The trial appeared to have worked well and the Employers would support the point for decision but wondered whether the External Auditor had expressed any views on the matter.

28. The representative of the Government of the United Kingdom, speaking on behalf of the IMEC members, welcomed the proposed changes to the Financial Regulations, which were intended to make permanent the amendments adopted on a trial basis for the period 1994-99. The logic behind the amendment was understandable. The previous system, which allowed for additional assessments to be made in the event of a deficit, meant that member States which had fully met their obligations to the Organization had to subsidize, albeit on a temporary basis, less responsible States; it also meant that there were no incentives for the Office to put pressure on member States that had not paid their contributions. They therefore expressed support for the point for decision in the Office paper and congratulated the Director-General on his willingness to make the necessary adjustments in the patterns of expenditure in the ILO when confronted with deficits during the trial period. They reserved the right to examine other aspects of the Financial Regulations, in particular the provisions relating to external borrowing. After introducing strategic budgeting and completely overhauling their budgeting processes, a number of other organizations had found it useful to undertake a complete review of their financial regulations. The ILO should also consider the merits of such an exercise.

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[5] GB.279/PFA/4.

29. The representative of the Government of the United States supported the statement by the IMEC group. He endorsed the amendments proposed to the Financial Regulations in order to streamline the replenishment process for the Working Capital Fund, and commended the Office for its flexibility in dealing with the financial uncertainties of recent years. He also urged the Office to undertake a complete review of the Financial Regulations to ensure that they were consistent with current practice, but warned that any provision regarding external borrowing would be viewed with the gravest concern.

30. The representative of the Government of Germany also expressed support for the statement delivered on behalf of the IMEC group, and shared the concerns about external borrowing voiced by the previous speaker.

31. The Treasurer, in reply to the query by Mr. Marshall on whether the External Auditor had been asked for an opinion concerning proposed changes to the Financial Regulations, confirmed that such a request had been made and the External Auditor's views were contained in a letter dated January 1995 to the Director-General. The main points made by the Auditor were, first, to examine whether the level of the Working Capital Fund, fixed at 35 million Swiss francs, would be sufficient to meet potential deficits; second, if the ILO did adopt the system for a trial period, it would be advisable to monitor whether there were any discernible adverse effects on the inflow of contributions; this was the reason for the concluding comment in paragraph 11 of the Office paper; and third, whether article 18 of the Financial Regulations concerning the reimbursement of surpluses to governments should be modified if they were not to be charged for deficits.

32. The operation of the new scheme was tested to the full at the end of the 1994-95 biennium. At 31 December 1995 the ILO had a deficit of US$44 million because a payment from the major contributor was not received until early January 1996. This amount was financed in full by a withdrawal from the Working Capital Fund and internal borrowing. Under the Financial Regulations as they stood before the temporary derogation was proposed, member States would have been billed for that deficit in 1997, which would have produced a surplus in the 1996-97 biennium refundable to member States in 1999. The temporary derogation approved by the Conference allowed the payment received in early January 1996 to be used to reimburse the internal borrowing and the withdrawal from the Working Capital Fund. The fact that much administrative inconvenience was avoided was convincing evidence of the merits of the scheme.

33. In reply to comments by two speakers, the Treasurer confirmed that the ILO was authorized to borrow externally. In the entire history of the ILO this facility had been used only once, for a period of about ten days to meet the payroll in February 1978, following the withdrawal three months previously of the largest contributor from ILO membership. However, in view of the circumstances at the time and as a result of representations from the Office, the borrowing was achieved at no cost to the ILO because the banks agreed to make the advances interest-free. Apart from this one occasion the Office had never used this external borrowing facility, but it would be better to retain it since the nominal level of the Working Capital Fund was at present fixed at 35 million Swiss francs.

34. All things considered, the proposed amendments were an improvement to the Financial Regulations. But it was impossible to legislate for every eventuality, and there would undoubtedly still be occasions in the future when the Governing Body would be called upon to consider exceptions to articles 18 or 21 of the Financial Regulations in particular circumstances.

35. ***The Committee recommends to the Governing Body that it propose to the International Labour Conference, for adoption at its 89th Session (June 2001), the draft resolution contained in the appendix to this report.***

Appendix

Resolution to be submitted to the 89th Session (2001) of the International Labour Conference

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to put into effect the direct use of arrears of contributions received to reimburse the Working Capital Fund or to repay amounts borrowed to finance a cash deficit in a previous financial period;

Decides to make the following amendments to the Financial Regulations: [1]

Article 18

1. The excess [or shortfall of income over expenditure] **of income over expenditure (surplus) or the shortfall in income compared with expenditure (deficit)** in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the [date of the financial statements at the] end of the financial period.

2. Any such [excess of income over expenditure] **surplus**, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

Article 21

1. (No change.)

2. If any sums withdrawn from the Working Capital Fund or borrowed to finance [budgetary] expenditure [pending receipt of contributions or other income and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body] cannot be reimbursed in the course of the same financial period**, then:**

(a) to the extent that the sums were withdrawn or borrowed to finance budgetary expenditure pending the receipt of contributions or other income, they shall be reimbursed from arrears of contributions received in the following financial period or periods;

(b) to the extent that the sums were withdrawn or borrowed to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, they [owing to the fact that the total budgetary income for the period falls short of total authorized expenditure incurred during the period, the sums so borrowed or withdrawn] shall be reimbursed to the lender or lenders and to the Fund in the second year of the next following financial period by adding to the contributions assessed on member States for that year an additional assessment in Swiss francs equivalent to the amount so borrowed or withdrawn[:], provided that temporary surpluses [of budgetary income over expenditure occurring at any time] shall be utilized to the extent possible to reduce the amount of outstanding loans or advances.

3. (No change.)

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[1] Additions are shown in bold type: deletions are indicated by square brackets.

INTERNATIONAL LABOUR OFFICE

GB.280/PFA/14/2
280th Session

Governing Body

Geneva, March 2001

Programme, Financial and Administrative Committee

PFA

FOURTEENTH ITEM ON THE AGENDA

Other personnel questions

Composition of the ILO Administrative Tribunal

Annex 5

Composition of the ILO Administrative Tribunal
(GB.280/PFA/14/2)

1. *Article III, paragraph 1, of the* [illegible] *judges shall be appointed for a period of three years by the Conference.* [illegible] *currently* [illegible]

Judges:

Mr. Michel Gentot (France), President, term of office expires in July 2001.

Ms. Mella Carroll (Ireland), Vice-President, term of office expires in July [illegible].

Mr. Seydou Ba (Senegal), term of office expires in July [illegible].

Mr. Jean-François Egli (Switzerland), term of office expires in July 2001.

Mr. James K. Hugessen (Canada), term of office expires in July [illegible].

Ms. Flerida Ruth P. Romero (Philippines), term of office expires in July [illegible].

Ms. Hildegard Rondón de Sansó (Venezuela), term of office expires in July [illegible].

2. Since the terms of office of Mr. Gentot and Mr. Egli will expire in July 2001, it is proposed to renew them by another three years.

3. *The Committee is accordingly invited to recommend to the Governing Body that it submit to the International Labour Conference, for adoption at its forthcoming session, the following resolution:*

> *The General Conference of the International Labour Organization,*
>
> *Decides, in accordance with Article III of the Statute of the Administrative Tribunal of the International Labour Organization, to renew the appointment of Mr. Michel Gentot (France) and that of Mr. Jean-François Egli (Switzerland) for a term of three years.*

Geneva, 21 February 2001.

Point for decision: Paragraph 3.

Annex 5

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.280/PFA/14/2
280th Session

Geneva, March 2001

Programme, Financial and Administrative Committee **PFA**

FOURTEENTH ITEM ON THE AGENDA

Other personnel questions

Composition of the ILO Administrative Tribunal

1. Article III, paragraph 2, of the Statute of the ILO Administrative Tribunal provides: "the judges shall be appointed for a period of three years by the Conference". The Tribunal currently has the following composition:

   Judges:

   Mr. Michel Gentot (France), President: term of office expires in July 2001;

   Ms. Mella Carroll (Ireland), Vice-President: term of office expires in July 2002;

   Mr. Seydou Ba (Senegal): term of office expires in July 2003;

   Mr. Jean-François Egli (Switzerland): term of office expires in July 2001;

   Mr. James K. Hugessen (Canada): term of office expires in July 2003;

   Ms. Flerida Ruth P. Romero (Philippines): term of office expires in July 2003;

   Ms. Hildegard Rondón de Sansó (Venezuela): term of office expires in July 2003.

2. Since the terms of office of Mr. Gentot and Mr. Egli will expire in July 2001, it is proposed to extend them by another three years.

3. ***The Committee is accordingly invited to recommend to the Governing Body that it submit to the International Labour Conference, for adoption at its forthcoming session, the following resolution:***

   The General Conference of the International Labour Organization,

   Decides, in accordance with Article III of the Statute of the Administrative Tribunal of the International Labour Organization, to renew the appointment of Mr. Michel Gentot (France) and that of Mr. Jean-François Egli (Switzerland) for a term of three years.

Geneva, 21 February 2001.

Point for decision: Paragraph 3.

Annex 6

Appointments to the ILO Staff Pension Committee (GB.280/PFA/13/1)

INTERNATIONAL LABOUR OFFICE
Governing Body

GB.280/PFA/13/1
280th Session

Geneva, March 2001

Programme, Financial and Administrative Committee

PFA

THIRTEENTH ITEM ON THE AGENDA

Pension questions

First Supplementary Report: Appointments to the ILO Staff Pension Committee (United Nations Joint Staff Pension Board)

1. In accordance with article 3 of the ILO Staff Pension Fund Regulations and article 6(c) of the Regulations of the United Nations Joint Staff Pension Fund, three members and three alternate members are appointed to the ILO Staff Pension Committee (United Nations Joint Staff Pension Board) by the International Labour Conference on the recommendation of the Governing Body. The Governing Body decided at its 253rd Session (May-June 1992) that appointments to the Staff Pension Committee should reflect tripartite representation.

2. The following Staff Pension Committee members and alternate members were appointed by the Conference for a term expiring on 8 October 2001:

Members:

Mr. W. Ringkamp (Government, Germany)

Mr. J.-J. Oechslin (Employer)

Mr. M. Blondel (Worker)

Alternate members:

Mr. R. Schibli (Switzerland)

Mr. P. Simonsen (Denmark)

Mr. A. Young (United Kingdom)

3. The Government, Workers' and Employers' groups of the Governing Body have considered proposals for the next round of appointments (for the period 9 October 2001 to 8 October 2004) so that they might be placed before the current session of the Governing Body for recommendation to the 89th Session (June 2001) of the International Labour Conference. Two members (Mr. Ringkamp and Mr. Blondel) and the three alternate members have indicated their willingness to continue to serve. It is therefore proposed that they be appointed for another three-year term. Concerning the Employer member, the seat became vacant after Mr. Oechslin's resignation. The Employers' group has proposed Mr. M. Barde (Employers' delegate to the International Labour Conference) to fill the vacancy for the following three-year term.[1]

4. ***The Committee is accordingly invited to recommend that the Governing Body propose to the International Labour Conference the following resolution for adoption at its 89th Session (June 2001):***

The General Conference of the International Labour Organization

Appoints to the ILO Staff Pension Committee (United Nations Joint Staff Pension Board), for a period of three years until 8 October 2004, the following members and alternate members:

Members:

Mr. W. Ringkamp (Government, Germany)

Mr. M. Barde (Employer)

Mr. M. Blondel (Worker)

Substitute members:

Mr. R. Schibli (Switzerland)

Mr. P. Simonsen (Denmark)

Mr. A. Young (United Kingdom)

Geneva, 19 March 2001.

Point for decision: Paragraph 4.

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[1] See appendix.

Appendix

Mr. M. Barde

Mr. M. Barde, born in Geneva on 7 February 1942, holds a BA in Law and a Masters in International Relations from the University of Geneva as well as a certificate from the Institute of World Affairs in Connecticut, United States. After serving for several years as political editor at the *Journal de Genève* and five years as Attaché to the Presidency of the International Committee of the Red Cross, in 1975 he joined the Swiss Employers' Federation (Fédération des Syndicats patronaux), where he has been successively Executive Secretary, Deputy Secretary-General and, since 1982, Secretary-General, a post which he still holds to the present day. Since 1982, Mr. Barde has also been Secretary-General of the Employers' Federation of French-speaking Switzerland (Fédération romande des syndicats patronaux) and, since 1995, Employers' delegate for Switzerland to the International Labour Conference.

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